



Regional Transportation Commission

Final Report
December 31, 2006

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Chapter 1

Findings and Recommendations

The Regional Transportation Commission was established for the purpose of examining the vexing issues surrounding transportation in the Puget Sound region. Increased transportation activity is the inevitable consequence of economic success together with population expansion and density. Creating a system that not only accommodates, but anticipates and facilitates growth and success is the challenge facing the region.

In sharing our knowledge with each other, members of the Commission have worked hard to function as a regional body, bringing together our ideas and insights to address this important issue. We have struggled to be as accurate as possible in describing the situation, while not pulling punches in diagnosing problems. We have endeavored to state what we know, using information that agencies themselves have provided. Since we released our draft report on November 15th we received over 350 pages of comments and 5 hours of oral testimony from more than 80 parties. Our final report reflects several months of listening, research and discussion. Its primary purpose is to present realizable recommendations that will outline a program of action for the Legislature's consideration. In her announcement of the Commission, Governor Gregoire had urged us to be concerned with the needs of the region well into the future, and "to consider our transportation needs in 2030, not only 2010." We received similar urgings from legislative leaders, transit officials and ordinary citizens. Our report intends to do just that, and provide conclusions based on those future needs.

We have been impressed with the quality and hard work of the agencies we reviewed, whether at the local, county or state level. A real attempt has been made on the part of groups like the Puget Sound Regional Council, WSDOT, and the five local transit operators like Pierce Transit, to insure that their transportation systems are working well in our communities. In doing so, they have faced challenges ranging from reduced or stagnant federal aid, to meeting the complicated demands of the Growth Management Act, to patching together multiple funding streams to get needed projects done on time and under budget. We salute their dedication to the safety and mobility of the public.

Nonetheless, our research has led to one inescapable conclusion and overall finding: Our current system of transportation governance delivers inadequate results, and will need fundamental systemic change to meet our state's transportation needs in the future. At this point there is no single agency in the region with the ability to meet the overall transportation needs of the region. In order to address regional needs, the system has to be structurally “re-knit” at the regional level. We base this conclusion on what we know about the current system, and what we know our future needs will be.

FINDINGS

Finding 1: The Puget Sound region is experiencing severe strain on its transportation system.

- Rapid population growth and a demographic shift in our region over the last two decades has contributed to the increase in transportation demand.
- Employment growth and housing growth have occurred in different parts of the region. As employment has shifted to “information age” jobs away from manufacturing jobs, employment centers have dispersed and grown unevenly across the four-county region. This has led to a geographic mismatch between population and employment growth.
- Our citizens still use single-occupancy vehicles for the vast majority of their transportation needs, and those needs are becoming more complex, generating multiple trip chains.
- Adding to this strain is the growth in freight traffic, the Puget Sound region has become an important hub of the international economy, with larger volumes of freight being moving across and through our region.
- Reasons for this strain are not always clear because transportation is traditionally viewed as a “free good” for vehicles, with demand relatively unaffected by the cost of constructing and maintaining those roads.

Finding 2: The strain on our region is manifested through several important indicators, especially congestion. Continued population and transportation demand growth in the region has combined with a 30 year history of under funding transportation in the region to create an impending regional transportation crisis.

- As the population and economic trends continue, overall commuter congestion and delays are increasing and demands on key corridors are rising.

- Local arterials are crowded with drivers and freight attempting to escape highway congestion adding to local transportation costs. There are delays in Freight/Rail/Port traffic, as well as quality of life issues involving missed family and cultural events and road rage.
- There remains an ongoing unmet need for more options to single occupancy vehicles (SOV), including transit, carpools and vanpools, HOV lanes and high occupancy tolling lanes (HOT).

Finding 3: The absence of unified regional transportation governance system has significantly contributed to the looming crisis.

- Leaders and the electorate have often disagreed on transportation priorities over the past three decades, leading to an inability to form a popular consensus on the transportation priorities and a failure to adequately fund transportation projects.
- In the last few decades, the public perception of the inability of government to spend tax revenue wisely and accountably has sometimes resulted in voters rejecting transportation initiatives that, if implemented at the time, would have substantially reduced the problems today.
- Numerous government entities have become involved in planning and prioritizing transportation projects and operations over time, and each has partial decision making responsibility. Overall decision making responsibility has never been unified and is not well coordinated.

Finding 4: There is a substantial shortfall in funding for regional transportation needs. Even if all presently identifiable revenue sources are tapped, there will be inadequate resources available to meet all of the identified needs in the Destination 2030 Plan.

- PSRC has identified \$134 billion in planned investments in transportation to support the Destination 2030 Plan and \$72 billion in available funding sources. Thus there is a substantial shortfall, **estimated at \$62 billion**, in additional resources necessary to fund the “planned investments” according to PSRC.¹
- The local transit agencies are expected to expend \$30 billion on basic needs and system expansion over the next 24 years, and ST is expected to spend \$36 billion for those

¹ PSRC numbers are preliminary and provided in Chapter 4. Our report does not include Washington State Ferries because they operate a part of a state wide system. If included, they would add \$1.7 billion to the funding shortfall.

purposes. The total \$66 billion represents approximately half of our expected transportation expenditures.

- There is an increased need for increased capacity, yet delays in constructing facilities are occurring while construction costs are rising rapidly.
- We believe that the solution includes generating more revenue, prioritization, and intermodal demand management.

Finding 5: The region needs to tap all available sources to finance transportation including new taxes and tolling. Tolling has the virtue of managing demand for transportation as well as generating revenue.

- Over the next 24 years, incremental revenue that could be generated by incremental state tax sources will provide only a limited amount of the funding needed for regional projects. To meet some of the need, funding for regional projects will have to come from new regional taxes.
- Though recent votes show improved levels of support, and recently approved revenue packages are addressing immediate needs, more resources are needed to continue improving infrastructure.
- Some additional revenue could be available from new regional taxes, but even if all possible sources, including increases in sales, property, fuel and excise taxes, were enacted at maximum levels, total revenue generated would be less than 60% of the shortfall.
- Because of the shortfall and the absence of adequate incremental revenue from state sources, there is a vital need for a regional approach - new regional, non-tax sources such as user fees involving tolling, fare adjustments, and parking fees - that would be used as both a source of revenue and as tools for managing demand.
- Because roads are a “free good” for vehicles, demand for the roads is relatively unaffected by the cost of constructing and maintaining those roads. Excellent work has been done in this area, but much more research is required to determine transportation user needs and shape usage patterns during peak periods.

Finding 6: The region has been unable to effectively prioritize regional transportation projects on a multimodal basis, because there is no governmental entity responsible for prioritizing projects regionally across geography and modes.

- The region must prioritize its transportation needs but despite the best efforts of people we have found to be hard working, dedicated public servants, we have an inconsistent and unclear regional prioritization system for governing transportation.
- Overall regional prioritization is not possible with our current structures and agencies. Our region's transportation structure has evolved incrementally over decades with new agencies and new legislation added to address problems as they emerged. No one entity is able to view the needs of the region or the entire transportation system as their primary responsibility, nor is any entity empowered as overall decision maker.
 - PSRC is charged with planning regionally, but has limited authority. Although it articulates a regional vision and attempts to plan for the region, the PSRC lacks the power to prioritize needed projects due to its governance structure.
 - ST prioritizes and coordinates regional transit projects but has no authority over operations of the five local transit agencies.
 - With the exception of the current cooperation between RTID and Sound Transit, transit and roads projects have historically not been planned with a multi-modal focus.
 - The RTID Planning Committee is doing its best to reach agreement with localities on prioritizing regional roads projects, but has no organization and no overarching authority beyond designing the November 2007 ballot measure.
 - The State Legislature and WSDOT (which advises the Legislature) have become the primary *regional* decision maker for transportation projects through passage of the successful Nickel and TPA packages.

Finding 7: Our transit systems, initially developed to provide local service, now play a large role in regional transportation networks.

- Transit systems provide congestion relief on many routes during the busy hours, but more cooperation is needed to provide incentives for consumers that will shift demand.
- Transit agencies have established inter-agency cooperation on a number of fronts, including regional pricing and routes to meet the demand for travel over the whole region, but in their own statements to this Commission, acknowledge that more work is needed.

- Pricing decisions still leave transit agencies with inconsistent fares. In some cases, capacity is unused by running partially filled buses on the same routes.
- More funding may be required, as current sources are insufficient in the long run to fulfill long term transit needs, as the five local systems and ST are largely financed by existing committed sales tax sources.
- Transit construction is especially expensive because of Sound Transit's current build-out phase of ST1 and soon-to-come ST2. Both repair and maintenance of transportation infrastructure and road preservation need greater resources.

Finding 8: The policy of sub-regional equity introduces a sense of fairness, but can produce results inconsistent with prioritizing regionally.

- Sub-regional equity was created to gain voter support for transportation funding measures by showing fairness in return on tax revenue over the entire region.
- The concept of sub-regional (or sub-area) equity is a statutory requirement for RTID expenditures and a board policy for ST. RTID and ST taxes are levied uniformly across their respective but differing territories and money is divided equally by sub-region.
- Revenue generated through taxes does not always match up with the project needs of the sub-regions. As a result either some sub-regions receive more money than they require or other regions do not receive enough, or both.
- This system cannot effectively meet the long term needs for transportation in the region at least in part because many projects that reside in a sub-region have broad regional significance.

PRIMARY RECOMMENDATION

We recommend that the State Legislature create a 15 member Puget Sound Regional Transportation Commission (PSRTC) which has authority and responsibility for planning, prioritizing and funding all modes of regional transportation for the four county area.

- In order to effectively prioritize and plan transportation projects, regional transportation decision-making should be shifted to the region.
- The three regional agencies; PSRC, RTID and ST should be combined into this new agency.

- Regional governance should be based on regional goals and objectives and should stitch together existing agencies rather than creating a new layer of bureaucracy.
- The body should have the authority to address the critical needs in planning and finance including responsibility for certain elements of growth management and land use.

The new PSRTC should have responsibility for land use and transportation planning, prioritization and funding.

- The PSRTC would absorb the responsibilities and succeed the organization of the PSRC as the Municipal Planning Organization (MPO) under federal law and the Regional Transportation Planning Organization (RTPO) under state law.
- Land use and transportation planning are inextricably linked and therefore the PSRTC would integrate land use and transportation planning. The PSRTC will need to work on a multi-jurisdictional environment basis to get projects built.
- A systemic, regional approach to transit and roads will require viewing all of the components of the transportation network on a coordinated multimodal basis.
- Though many agencies engage in prioritization, the new regional entity should be created to coordinate planning on a long-term basis between the different transportation entities.
- The new PSRTC should be required to create an effective advisory body to actively involve and maintain strong relationships with counties, cities, ports, tribes, business, labor, transit agencies and other groups in the transportation planning process.

The PSRTC should have the authority to generate revenue from tax and transportation user charges to pay for future transportation projects.

- Identifiable transportation funding sources for future projects are inadequate for the needs of the region. Even if all possible new sources including increases in sales, property, motor vehicle fuel and excise taxes were raised to maximum levels, total revenue generated would be less than is required.
- A regional governance structure is needed to coordinate the use of all tax and usage-based revenue sources as a part of an overall financing strategy.
- The Legislature should allocate all money generated in the region from state transportation tax sources for regional projects – a “block grant” approach. We specifically recommend that money collected within the region from State Motor Vehicle

Fuels (MVFT) and State Motor Vehicle Excise (MVET) taxes be prioritized, managed and allocated by the PSRTC.

- We further recommend that the new PSRTC be granted broad authority to levy regional taxes sufficient to meet regional transportation needs, including regional property, sales local option fuel taxes and MVET.
- The PSRTC should also be granted authority to act as gatekeeper for any regional transportation tax or bond proposal going to the ballot, including any proposal above a threshold size.
- There is a vital need for new or more revenue from regional, user based (non-tax) sources, including tolling, regional transit fares and parking fees that would be both a source of revenue and a tool for managing demand.
- We recommend that the PSRTC be granted authority to set regional tolls on all roads over which it has jurisdiction and that the region retain all regional tolling revenue.

The PSRTC should have the authority to implement regional demand management tools as a way of reducing demand and increasing revenue.

- There is presently no effective, coordinated regional transportation demand management system and very little operating coordination among roads and transit operators.
- The PSRTC should develop a comprehensive demand management strategy that utilizes techniques such as dynamic tolling, parking fees or taxes and faring for transportation management; these funding mechanisms encourage and incentivize more efficient use of our transportation system.
- More work is needed with large employers and schools in order to shift their employees' commute times and therefore reduce travel during busy hours.
- The PSRTC should have the authority and be encouraged to use new technologies to implement demand management systems.

The PSRTC should take responsibility for all State Roads within the region - "Roads of Statewide Significance" as well as "Roads of Regional Significance."

- This authority should extend to planning, prioritizing projects, allocating state and federal monies, regional taxing authority and tolling.

- The PSRTC should have the authority to identify roads of regional significance, under broad criteria in state law. Those roads of regional significance would be subject to PSRTC jurisdiction.
- The PSRTC should establish detailed criteria to limit the roads subject to its jurisdiction to truly significant routes, and routes that are critical to the regional transportation plan.
- The new PSRTC should take life cycle responsibility for projects owned by the region, including responsibility for supervising construction of new capacity, preservation and maintenance authority.
- The new PSRTC should have the responsibility for all regional projects but delegate construction and day-to-day operation to WSDOT or other appropriate agencies.

The PSRTC should have authority over planning, prioritizing and financing regional transit projects, including authority over Sound Transit and authority to standardize fares for regional routes, including those provided by local transit agencies.

- The questions of coordination, standardization, and consolidation of these geographically entwined agencies are serious ones. We recognize the value of agencies that are responsive to local needs and the tension between those needs and the potential for improved regional efficiency.
- Transit agencies need to increase cooperation so that transit can absorb a larger portion of peak time and off-peak users.
- Sound Transit's planning functions would become a division of the PSRTC, and Sound Transit planning would be combined with other regional planning function under the PSRTC.
- Sound Transit should remain as a separate legal entity for purposes of day-to-day operations and supporting debt and borrowing capacity, and may need to have a separate board for overseeing those matters.

The PSRTC should be a fifteen-member body, with nine elected and six appointed members.

- Nine elected, non-partisan commissioners would be chosen from proportional districts to ensure broad geographic representation. The remaining six commissioners would be appointed by the Governor and confirmed by the Senate. The Governor would designate one of those members as chair of the PSRTC.

- Appointed members would be selected on the basis of expertise in relevant subject areas such as in planning, construction, finance and management. Appointed members should be geographically diverse if possible.
- While former elected officials should be eligible if qualified, current elected officials would not be eligible to fill these positions – so that commissioners can solely focus on regional needs.
- The commissioners should serve six year terms and be eligible to hold office for two full terms. The PSRTC members should be well-paid part time positions. Terms should be staggered to assure historical continuity and that experience is retained when membership changes.
- The PSRTC should coordinate with WSDOT, but the Secretary of Transportation should not serve on the Commission to eliminate any potential conflict of interest.
- We recommend a high standard for removing a commissioner such as recall for the elected members and removal of appointed members only for misfeasance or malfeasance in office.

The boundary of the PSRTC should include all of King, Snohomish, Pierce, and Kitsap counties, as this is the optimum boundary for all modes of transportation requiring current and future planning.

- As the region grows, the Commission's region could be enlarged to include other counties, such as Skagit, Thurston and Island Counties. There needs to be a process by which the PSRTC can be gracefully expanded with reasonable incentives for both new comers and the original counties in the region.

The new PSRTC should not be burdened with a requirement to spend money evenly by mode and/or across geographical areas, and thus, the PSRTC should not be required to operate on the basis of strict sub-area or modal equity.

- Money should be allocated based on regional need and a broad sense of fairness, and based on objective standards established by the PSRTC intended to ensure that monies equitably maximize regional performance. A geographically balanced, majority elected PSRTC would be able to fairly allocate money without specific rules or requirements.
- The RTID statute and Sound Transit board policy requirement that money be spent in proportion to taxes raised could undermine the PSRTC's ability to meet regional needs and those requirements should be eliminated. Raising money separately by mode has

the effect of ignoring regional needs irrespective of differences in density or use patterns.

ALTERNATIVE MODEL REQUIRED BY STATUTE: A DIRECTLY ELECTED MODEL

- The statute that created this commission mandated that we “develop ... an option providing for the formation of a regional transportation governing entity, of which all of its members must be directly elected...”
- If that is the Legislature’s preference, we propose a fifteen member body that would be directly elected by district.
- Although a smaller district size would increase local accountability, we were also concerned that an all elected model would not have the benefit of having expert members.
- We believe it is even more important that an all elected body be non-partisan and have an independent authority such as the Washington State Redistricting Commission establish and maintain boundaries.

OTHER RECOMMENDATIONS

1. We recommend that there be further study on the efficiency implications of the presently-fragmented transportation system, some of which are beyond the scope of the proposed PSRTC. This work could be done by an expert panel or the State Auditor.
2. We recommend a study of the implications of further integrating or possibly combining the local transit systems into a single organization. This work could be done by the new PSRTC, an expert panel or the State Auditor.
3. We believe that the issue of permitting should be examined to see if there are efficiencies in streamlining the process of acquiring transportation and environmental permits.
4. We recommend that the State Legislature align the WSDOT districts with the four-county Puget Sound region whether or not legislation is enacted to create the PSRTC.

Chapter 2

Introduction

The Regional Transportation Commission (“RTC” or the “Commission”) is a citizen advisory group created by the Washington State Legislature in Engrossed Substitute House Bill 2871, during the 2006 Legislative Session. RTC members were appointed by the Governor. The mission of the RTC is to provide thoughtful recommendations to the Legislature and the Governor that will guide decision makers in their efforts to improve the governance and financing strategy for Central Puget Sound’s transportation needs well into the next generation. The statute gave us the following directions:

“To develop a proposal for a regional transportation governing entity more directly accountable to the public, and to develop a comprehensive regional transportation finance plan for the citizens of the Puget Sound metropolitan region.”¹

In the same legislation, the Legislature mandated that Sound Transit and the Regional Investment District (RTID) seek voter approval in November 2007 for what is expected to be approximately \$14 billion in investments in our transportation systems. Our report is not designed or intended to be a commentary on these particular measures. Rather, our recommendations propose changes that we believe will strengthen our region and cause voters to be more confident of the overall system and thus more supportive of upcoming votes for expanded transportation funding.

The Mission of the RTC

The Commission was asked to evaluate current regional transportation governance and recommend a long term regional governance structure that will establish a clear, streamlined decision making authority responsible and accountable for planning and financing transportation in the region. In its introduction, ESHB 2871 spelled out the important goals to which this report responds:

- Effective transportation planning in urbanized regions require(s) stronger and clearer lines of responsibility and accountability.

¹ Washington State Legislature: ESHB 2871 section 1, 2006 (Chapter 311, Laws of 2006)

- Integrated, multimodal transportation planning will help reduce transportation congestion and improve safety, and [that] streamlined decision making will help reduce political congestion.
- Coordinated planning of, investment in, and operation of transportation systems will have significant benefit for the citizens of Washington, and that it is the will of the people to fund regional transportation solutions, including improving transit service in urbanized areas and among existing fragmented transit agencies in the region.
- Although local considerations must be respected, transportation problems are broader and deeper than the sum of geographic subareas.²

ESHB 2871 established that our duties were to:

“Evaluate transportation governance in the central Puget Sound region area within the jurisdiction of the Puget Sound regional council [King, Pierce, Snohomish and Kitsap counties]. This evaluation must include an assessment of the current roles of regional transportation agencies, including regional transportation and metropolitan planning organizations [Puget Sound Regional Council], the regional transit authority [Sound Transit], regional transportation investment districts, county and municipal agencies operating transit services [Community Transit, Everett Transit, Kitsap Transit, Metro and Pierce Transit] and cities, counties and other public agencies providing transportation services or facilities, including the state department of transportation [Washington State Department of Transportation].”³

The Commission was asked to evaluate King, Pierce, Snohomish and Kitsap counties as a region, and include such recommended steps that should be taken to:

- Consolidate governance among agencies,
- Improve coordination in the planning of transportation investments and services,
- Improve investment strategies, coordinate transportation planning and investments with adopted land use policies,
- Improve coordination between regional investments and federal funds, and state funding; and
- Develop a comprehensive financing strategy and recommend revenue options for improving transportation system performance within the region.⁴

² Washington State Legislature: ESHB 2871 section 1, 2006

³ Washington State Legislature: ESHB 2871 section 1, 2006

⁴ Washington State Legislature: ESHB 2871 section 3(1), 2006

To encourage the Commission to think boldly, the legislation specifically required that we evaluate as “an option providing for the formation of a regional transportation governing entity, of which all of its members must be directly elected”.⁵

The legislation specifically charged us with a two-step reporting process in which we were to “publicize the Commission’s proposal” on governance and “the list of revenue options” by November 15, and then solicit public comment for 15 days. We are required by statute to submit this final report by January 1, 2007.⁶

In her announcement of the Commission, Governor Gregoire urged us to be concerned with the needs of the region well into the future. “This Commission needs to be forward thinking – I want them to consider our transportation needs in 2030, not only 2010.”⁷ In our preliminary meeting with the Governor, she strongly encouraged us to “be bold” and “think long term”. We subsequently received similar advice from legislative leaders, including Senate Transportation Chair Senator Haugen in her comments to us at our public hearing on September 21, 2006. We believe that our report reflects that charge.

In summary, our statutory duty is to make recommendations to the Governor and the Legislature to address opportunities to improve governance and financing of regional transportation, including the option of creating a new directly elected regional transportation governing body.

Membership

ESHB 2871 charged the Governor with appointing nine voting Commissioners reflecting “geographical balance and diversity of populations within the central Puget Sound region and, to the extent possible, include commissioners with special expertise in relevant fields such as funding, planning, and construction of transportation improvement projects, structural reorganizations, and operation of transportation systems”.⁸

The members chosen in consultation with the Legislature were appointed on June 8, 2006. Former Seattle Mayor Norman Rice and retired communications executive John Stanton were

⁵ Washington State Legislature: ESHB 2871 section 3.2, p4, 2006

⁶ Washington State Legislature: ESHB 2871 section 4, p4, 2006

⁷ Governor Gregoire: Press Release June 8, 2006

⁸ Washington State Legislature: ESHB 2871 section 2, p2, 2006

appointed to co-chair the Commission. John Stanton was selected from the list of names submitted by the House Republican Caucus and Norman Rice was selected from the list of names submitted by the House Democratic Caucus. Both are King County residents.

Former State Senate Majority Leader Dan McDonald, from King County, was selected from the list of names submitted by the Senate Republican Caucus, and land use planner Reid Shockey, from Snohomish County, was selected from the Senate Democratic Caucus list. Former Federal Way Mayor Mary Gates from King County, labor executive Dave Johnson and Port of Tacoma executive Tim Farrell from Pierce County, business leader Gigi Burke from Snohomish County, and former Bainbridge Island Mayor Dwight Sutton from Kitsap County, were also appointed to the Commission. Washington State Secretary of Transportation Douglas MacDonald was designated as a non-voting member.

Process

We met for the first time on June 15, 2006 and divided the process into three phases: (1) the initial investigation and inquiry process, which included the first phase of public outreach; (2) deliberation to develop alternatives and to report on them by November 15 and (3) solicitation of public comment and the delivery of final recommendations by January 1, 2007. (See Figure 2-1 below for a model of the Commission's work plan.)

Figure 2-1: RTC Work Plan

<u>Phase 1: Investigate</u> <ul style="list-style-type: none"> • Hire staff • Research literature • Outreach: existing entities 	<u>Phase 2</u> <ul style="list-style-type: none"> • Investigate other cities • Develop alternative models • Preliminary report 	<u>Phase 3</u> <ul style="list-style-type: none"> • Outreach • Conclusions and recommendation • Final report
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The initial phase involved hiring staff and researching available information, seeking input from the existing transportation agencies, and soliciting input from other metropolitan areas that have addressed similar challenges. We received numerous comments, letters, and submitted written testimony (over 1,000 pages) which are available on our website, at our Document Library <http://www.wa.gov/library.html>.

Outreach is an essential aspect of our work. In the first phase, we sought and obtained input from 42 different transportation agencies through public meetings in each of the four counties

between August 15th and September 15th. The parties that made presentations and all of their materials are available on our website. In addition, we heard presentations from business, environmental and community groups, and interested members of the public. We reviewed reports from transportation executives representing Portland, Oregon, Vancouver, BC and Phoenix, Arizona. The draft report was the product of deliberations in six public meetings held between September 21 and November 9. We held public hearings on November 21 and December 7 ⁹ to provide the public with an opportunity to comment on our draft report. More than 80 parties testified or submitted written comments, which totaled more than 350 pages. In addition, we allotted time for public comment at each of our 15 meetings. Based on that input and our further deliberations, the Commission is releasing this final report.

The timeframe allotted for the Commission was very limited. We were given less than six months to evaluate and comment on a system that has taken generations to create, and, because 128 agencies share responsibility, that system is astonishingly complex. In our inquiry, we identify topics that deserve more study than we are capable of undertaking in six months. We will have four recommendations in the final report on topics that deserve additional study by the Legislature, the State Auditor or another panel.

Our Draft and Final Reports

The draft report provided background, identified key issues and three distinct future governance models. While individual Commissioners had preferences, this report was intended to describe discrete alternatives that were the basis for public discussion. Our final report, in addition to the material provided in the draft report, contains an Executive Summary (Chapter One), a chapter on other regions we examined (Chapter Seven) and a final chapter containing our recommendations (Chapter Nine). We should also note that our final report condenses Chapter Three and Chapter Four into a single chapter for clarity.

We have approached this task with an open mind, and we are pleased with the honest and insightful feedback we have received. In her statement announcing our creation, Governor Gregoire expressed the "...hope that everyone, including transit providers, local governments and the Department of Transportation will work with the Commission to reach a solution that

⁹ ESHB 2871, Section 3(4) allowed 15 days for public comment. We extended the period to December 7 because we were forced by weather to postpone our November 28th hearing.

helps to fight traffic congestion in the Puget Sound region.”¹⁰ That has been the case as every agency with which we have worked has been extremely helpful and supportive of our mission.

¹⁰ Governor Gregoire: Press Release June 8, 2006

Chapter 3

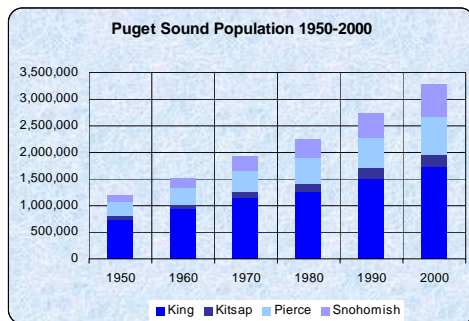
Background

Our state has an overlapping patchwork of transportation agencies that construct, maintain and operate a complex regional transportation network in a diverse geographic arena. These interconnected layers of infrastructure were developed over time in response to demographic, economic and technological changes in our state. This chapter outlines some of these important factors, including demographic changes, our region's economic role internationally, and changes in transportation modes.

Population growth and urbanization

Population in the central Puget Sound has grown steadily for the last half century to the estimated 2006 level of 3,524,000. The region is home to 55.3% of the 6,375,600 residents of Washington State. Population in the region has nearly tripled since 1950 (Figure 3-1).

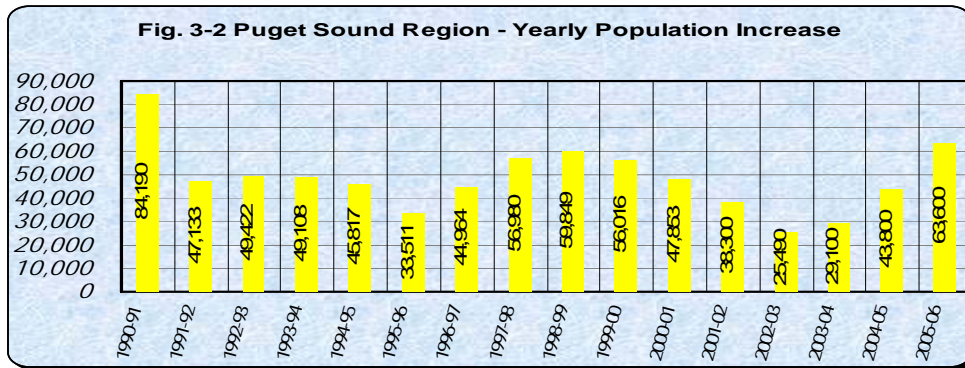
Figure 3-1 (Source: PSRC)



Generally, the geographic size of our urban areas has grown while the population density within the urban areas remaining roughly comparable for the last three decades. The “urban growth corridor” represents approximately 75% of the four county region’s populations.

The rate of population increase has been relatively steady with between 400,000 and 500,000 new residents added each of the last five decades. Total population grew by 466,000 in the last ten years (1997-2006) as is illustrated in Figure 3-2.

Figure 3-2 (Source: U.S. Census Bureau)

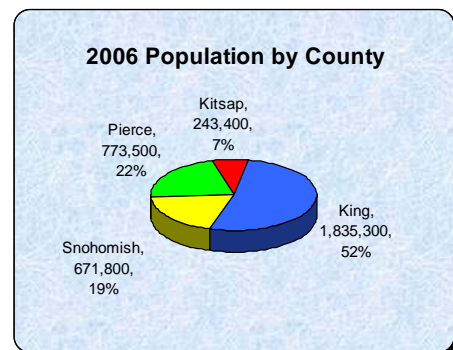


The distribution of this expanded population has not been proportionate among the region's four counties. King County is the largest and is home to over 1 in 2 of the region's residents (52%), while Pierce and Snohomish Counties each represent approximately one fifth of the region as represented in Figure 3-3. The top four cities in the region—Seattle now with 563,000 residents representing 16.4% of the region's population, Tacoma (199,600 or 5.7% of the region), Bellevue (117,000 or 3.3% of the region) and Everett (101,100 or 2.9% of the region) – each have grown more slowly than total region's population since 2000. Kitsap County represents 7% of the region's population.

Figure 3-3

(Source: U.S. Census Bureau)

The region's three smaller counties – Kitsap, Pierce and Snohomish – have shown faster rates of growth.¹ As Figure 3-4 demonstrates higher growth rates between 1990 and 2000 in the three counties besides King, and recent higher growth between 2000 and 2006 in Snohomish and Pierce Counties.



¹ PSRC, Vision 2020+20, Issue Paper on Regional Demographics and Growth Trends, 8/05, <http://www.psrc.org/projects/vision/pubs/demographics.pdf>

Figure 3-4

Population Growth – 1990 to 2000 ; 2000 to 2006					
	<i>Population 1990</i>	<i>Population 2000</i>	<i>Growth 1990-2000</i>	<i>Population 2006</i>	<i>Growth 2000-2006</i>
King	1,507,305	1,737,046	15.24%	1,835,300	5.7%
Snohomish	465,628	606,024	30.15%	671,800	10.9%
Pierce	586,203	700,818	19.55%	773,500	10.4%
Kitsap	189,731	231,969	22.26%	243,400	4.9%

Source: U.S. Census Bureau OFM²

Much of the growth in transportation demand can be attributed to the overall population growth in our region and is projected to continue to grow rapidly, with estimates projecting an increase of nearly 1.6 million more residents by 2040.³

Mismatch between residential and employment growth

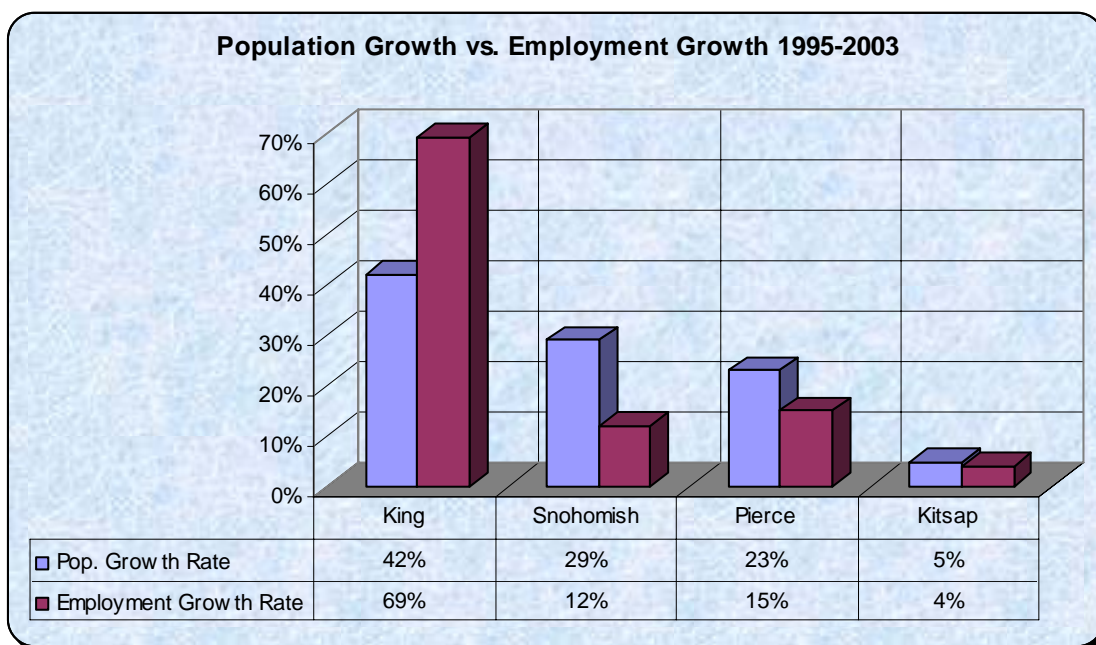
The Puget Sound region has simultaneously experienced a demographic suburbanization and a decentralization of its economy, with the resulting in increased distance for many of our residents to travel between where they live and where they work. Between 1980 and 2000, the largest share of job growth occurred in King County, while more rapid residential growth occurred in Kitsap, Pierce, and especially Snohomish counties. The trends have accelerated between 1995 and 2003, and patterns in employment per county show the uneven development between demographic and job growth. During that period, King County added 69% of the region's new jobs but only represented 42% of the population growth (See Figure 3-5).⁴

² OFM, *2006 Population Trends*, p.8

³ PSRC, *Vision 2020+20*, Issue Paper on Regional Demographics and Growth Trends, 8/05, <http://www.psrc.org/projects/vision/pubs/demographics.pdf>

⁴ PSRC, *Vision 2020+20*, Issue Paper on Transportation, 1/06, <http://www.psrc.org/projects/vision/pubs/transportation.pdf>

Figure 3-5



A key factor in the population growth in Pierce and Snohomish counties is the rapid increase in housing costs in Seattle and King County that forced many employees working in King County to find affordable housing in Pierce, Snohomish or Kitsap counties. As a consequence, demand for transportation on key corridors grew faster than the population. This produced new congestion and commute patterns that have developed as suburban to suburban travel, as shown in Figure 3-6.⁵

Figure 3-6 (Source: PSRC)

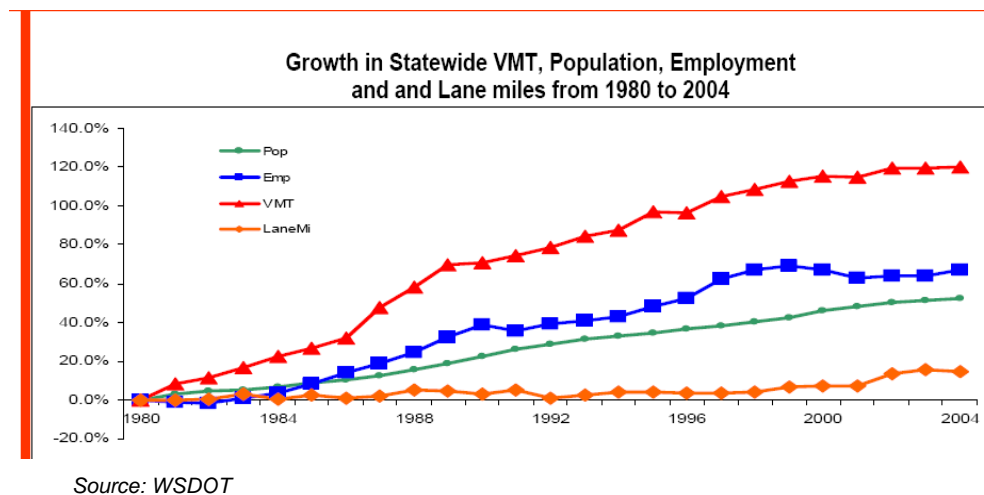
PSRC Travel Demand Model 2006 AM Auto Person Trips						
To:	Pierce County	South King	East King	Seattle/Shoreline	Snohomish County	Kitsap County
From:						
Pierce County	225,222	40,122	3,223	6,907	182	4,891
South King	16,733	184,767	18,616	35,005	795	270
East King	1,068	17,747	179,615	33,627	11,547	100
Seattle/Shoreline	1,125	18,669	21,101	219,930	12,040	373
Snohomish County	213	3,249	28,932	32,641	183,144	105
Kitsap County	3,692	915	271	1,891	213	81,275

⁵ PSRC, *Transportation and the Region's Economy*, draft, 6/2005, <http://www.psrc.org/projects/mtp/presentations/economy.pdf>

Relationship between demographic growth and travel demand

While regional population has grown, demand for transportation on key corridors has grown even faster. Figure 3-7 illustrates several trends, comparing the change in population, employment, and vehicle miles traveled per person, or VMT, and lane miles for the last 25 years. It demonstrates that despite limited new lane mile construction, population and employment have steadily increased, and VMT has more than doubled.

Figure 3-7



Part of the reason for the high expansion in VMT is explained by changing economic patterns as during that period our economy has shifted from manufacturing based to service based and increasingly information based where large centers employment are less important. Beyond the daily grind of the home-to-work commute, our region's population engages in a growing percentage of multi-purpose trips. Such trips now account for nearly 85% of all trips in the central Puget Sound region. Even during rush hour, the majority of automobile trips are for trips other than directly traveling from a residence to a place of work. "Trip chaining" commuters make stops in route to work or home; for example, to daycare centers, schools, and shopping destinations.⁶ Increased travel is also a function of the increase in two-worker households, more dispersed trip patterns, and growth in areas that are accessible only by private auto. As the baby boom generation ages and the number of senior citizens grow, there will be further changes in demographic factors effecting our transportation system in the next three decades.

⁶ WSDOT, TDM introduction, "Maintaining Mobility in the Puget Sound Region," <http://www.wsdot.wa.gov/mobility/TDM/strategy/intro.html>

Transportation economics

The capacity requirements of a road or transit network are determined based on the peak period or rush hour demand for that network. Regardless of total highway use, if the roads are clogged at 8:00 am, commuters perceive that there is inadequate capacity. Congestion is caused by too many users attempting to access the roads at the same time. Shifting demand to off peak periods can increase the effective capacity and increase the efficient use of the roads network.

Transit systems have similar economic characteristics. Transit systems have the potential to increase the capacity of our current road system. Increasing transit usage can reduce road congestion by increasing throughput if maximized during congested rush hours. Sound Transit has done research that indicates the most important variable effecting transit demand is the cost of parking at a destination by Single Occupant Vehicles (SOV). This indicates that parking fees or taxes could be a tool in shifting usage from SOVs to transit during peak hours.⁷

If transportation systems are managed as a single enterprise, managers can make tradeoffs between the cost of adding lane capacity and the cost of adding transit capacity. The analysis is complicated because adding lane capacity involves an enormous upfront cost and relatively modest maintenance and preservation costs while buses can be added relatively inexpensively but require large annual operating costs. In the long term, the critical variable in determining or shifting capital requirements is time of day usage of each element (corridor, bus, light rail) of the system. Congestion, and thus the need for incremental capacity, is highly sensitive to time of day travel patterns, which congest roads and transit during “rush hour” periods. If demand could be shifted to times in which the roads or transit are under-utilized, the effective total capacity of the roads or transit systems would be increased. Controlling all of the variables, including tolling, faring, parking fees and other incentives to shift or manage time of day usage, are essential elements of Traffic Demand Management (TDM).

The state's Commute Trip Reduction (CTR) Law, enacted in 1991 was an important step in another element of TDM. The law requires employers, with 100 or more employees commuting to a worksite between 6:00 and 9:00 a.m., to implement programs that reduce their employees' vehicle commutes and vehicle miles traveled. Currently, the CTR law covers about 27% of the region's employees. On an average workday morning in 2004, CTR removed more than 15,000

⁷ Sound Transit meeting, November 22, 2006.

vehicles from the region's roadways. The number of vehicle trips reduced increased from 12,100 in 2001 to 14,200 in 2003.⁸

There has been research and some programs designed to shift employer hours and thus commute times by WSDOT. According to their analysis, approximately 3,000 commuters have shifted in response to these programs.⁹ Whether to increase transit capacity, highway capacity, or both will depend on corridor specific conditions and relative levels of demand vs. capacity. But if the region intends to accommodate peak travel demand and increase efficiency, it must find ways to implement TDM techniques.

The price we pay: increased congestion

On the eve of the new millennium, the Blue Ribbon Commission on Transportation stated: "Washington's transportation system is on a collision course with reality."¹⁰ Unfortunately, despite both increased public awareness and new funding, the central Puget Sound region continues to be saddled with complex transportation problems. Our primary concern is that improvements to the region's transportation systems continue to lag behind the pace in economic and population growth. Steady job growth within the region has fueled rapid increases in population, personal-vehicle travel, and freight movement. Despite the commitment to light rail service and the addition of both buses and other forms of transit, much of the region's growing population still has little or no practical access to any form of transportation other than the personal automobile.

The freeway network bears the brunt of the increased travel. The impact of growth, more dispersed travel patterns, lack of transportation investment and heavy reliance on SOVs, has led to large increases in freeway congestion over the past two decades and substantially compounded the complexity and magnitude of our transportation challenges. A large portion of the region's roadway travel needs are met by limited access freeways, including local segments of the federal interstate highway system and major state highways, which has contributed to our region's congestion. As those primary roads become more congested, traffic shifts to arterials.

⁸ Puget Sound Regional Council *2005 RTP Plan Review for Destination 2030*

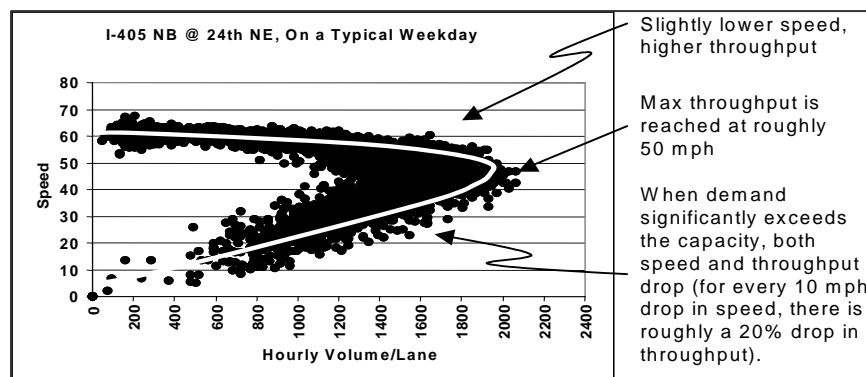
⁹ Information provided by WSDOT, November 9, 2006.

¹⁰ Blue Ribbon Commission on Transportation, "Transportation Action; Final Recommendations to the Governor and Legislature, 12/00

Between 1980 and 2000, the state's population increased by 42.6% while the number of vehicle miles driven increased by 88%.¹¹ This increase in driving has resulted in higher gasoline consumption and increased gas tax revenues. Yet these revenues have not kept pace with funding needs.

Congestion effectively consumes or reduces road capacity. Under congested conditions, even though the road is “full” of cars, they are moving so slowly that fewer vehicles can actually pass at any given point on the road (referred to as “throughput.”). This lost freeway productivity increases travel time for automobiles and transit and encourages the diversion of traffic onto already crowded arterials and local streets. Typically, the maximum throughput of vehicles on a freeway, about 2,000 vehicles per lane per hour, occurs at speeds of 45-50 mph. When traffic volumes cause highway speeds to fall below 45 mph, the throughput drops dramatically. As more cars crowd onto a freeway, traffic volume can slow to 800 cars per lane per hour. On I-405 in Renton (the “S-curves”), vehicle capacity is regularly reduced by more than 60% during the peak period. This congestion in the morning and evening commuting hours effectively reduces the throughput of two lanes in Renton down to the capacity level of one free-flowing lane.¹² WSDOT has observed that for every ten MPH drop in speed below 45 mph, there is a corresponding drop in throughput of approximately 20%. The boomerang graph below in Figure 3-8 shows the effect of this lost efficiency on the roadway system.

Figure 3-8 (Source: WSDOT)



Congestion has increased dramatically throughout the region between 1982 and 2003. WSDOT studies conclude that, congestion lasts longer and impacts more of the transportation network. Overall in 2003,

WSDOT estimates that Puget Sound region congestion accounts for consuming 45.4 million annual person hours and wasting 49 million gallons of fuel.¹³

¹¹ PSRC, Destination 2030

¹² WSDOT

¹³ WSDOT estimate, supplied to RTC on request

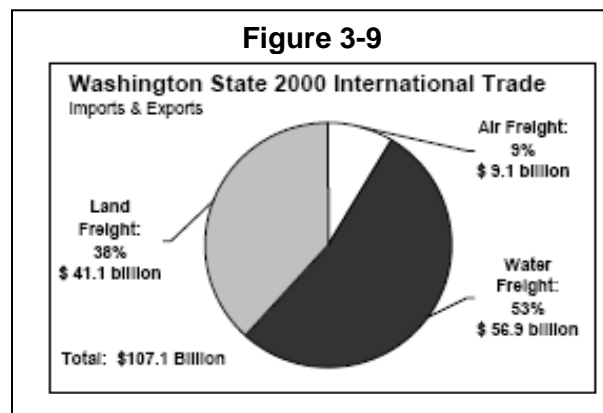
Central Puget Sound's challenges are compounded by our arterial network. Compared to other major metropolitan areas, large parts of the central Puget Sound region have a relatively sparse arterial network, placing additional demands on the freeway system.¹⁴ As congestion builds on highways, some traffic moves to arterials. The increase of additional vehicle trips on arterial roadways causes significant traffic congestion problems throughout the region. The three former mayors on our Commission observed that this phenomenon has shifted costs to municipalities in the form of increased maintenance, law enforcement costs and noise and reduced safety

The cost is not just an economic issue. Long commutes reduce time that would be spent together by families. How many children's ballgames or recitals have been missed because of traffic? How many meetings have gone poorly because salesmen arrived late? The stress of fighting (and losing) to traffic everyday feeds into such issues as domestic violence and child neglect. Road rage, once thought of as a problem in huge urban centers such as Los Angeles, is now spreading to our region's roads which is an unsettling change in a community known for its style of laid-back living. In addition to other consequences of congestion, cars and trucks stuck in traffic consume more fossil fuels and contribute more emissions to the atmosphere.

Labor productivity and the quality of our workforce increased during the 1990s, as our region succeeded in attracting young, well-educated workers to our workforce. The presence of these highly-skilled workers played a key role in the creation and development of new technologies, companies and industries, as well as the associated job growth during the technology boom of the late 90s. Many of those firms located in the Puget Sound region at least in part because of life. Longer commute times, noise and pollution may over time jeopardize the success of the region.

¹⁴ Cascadia Project, Discovery Institute website, Focus on Transportation, <http://www.cascadiaproject.org/transportationWashington/comprehendingCongestion.php>

Transportation and our economy



We face ever increasing demands on our transportation system from our changing economy and its increased dependence on trade, the scale of which is illustrated in Figure 3-9.¹⁵ From an economic perspective, Washington State is in many ways a small nation whose commerce is driven by global companies with an enormous role in international trade. Like any nation, it depends

on the extent and quality of infrastructure to support and perpetuate its economy and the lives of its citizens. In a global economy, transportation infrastructure is one of the most important competitive factors in determining our share of international trade. In addition, an effective transportation system is a vital element of that infrastructure, providing veins and arteries for the people to traverse the Puget Sound region and to connect the state's goods with port, rail and air transport hubs that connect us to the rest of the country and the rest of the world.

Transportation investment has fundamental economic benefits beyond those that accrue from the multiplier effects of transportation construction itself. Economic benefits at the macroeconomic level accrue through productivity increases; benefits can also be seen at the microeconomic level through better access to land, goods and services. Freight movement in the entire state including the Puget Sound region fulfill the region's role as a gateway for international trade, and it similarly provides for the needs of our own manufacturers and our local delivery system.¹⁶ Dominant economic clusters like aerospace, international trade, military, agriculture and wood products, and even tourism will require more efficient passage through the transportation system due to rising costs in gathering, shipping and distributing products and transporting people.¹⁷

The Importance of Freight

Washington was built on its natural advantages for international trade: deepwater ports, proximity to fast-growing Asian and Canadian economies, and a short all-water route to Alaska

¹⁵ Figure 3-9 Source: "Washington Transportation Plan," 2002-2022, WSDOT

¹⁶ PSRC, Vision 2020+20, Issue Paper on Transportation, 1/06, <http://www.psrc.org/projects/vision/pubs/transportation.pdf>

¹⁷ PSRC, Vision 2020+20, Issue Paper on Transportation, 1/06, <http://www.psrc.org/projects/vision/pubs/transportation.pdf>

to create an enormously valuable multi-modal freight infrastructure. This infrastructure system is vital to our regional and state economies, directly and indirectly sustaining hundreds of thousands of jobs.

- Our seaports – an international gateway: In 2002, almost \$96 billion of goods entered or departed the U.S. from the Puget Sound region. The annual volume of containers through Puget Sound seaports is expected to more than double from 2002 to 2025, much of it in international freight. Agricultural products produced in rural Washington exports totaling almost 20 million tons were, by volume, the largest commodities leaving our seaports including wheat, corn, and soybeans.
- Cross - border trucking: The WSDOT Office of Freight Strategy & Policy estimated that freight and goods tonnage moved by road in the state has increased 116% since 1980. Canada is our most significant U.S. trading partner, with \$16 billion in U.S. - Canadian trade imported or exported through Washington in 2002. Cross-border truck volumes in Western Washington have nearly doubled over the past 11 years. For example, Washington links Alaska to the lower 48 States through the 25 million tons of crude petroleum that was carried to Washington State from Alaska, using the inland waterways and landing at Puget Sound refineries.
- Seattle-Tacoma International Airport: This regional airport is critical for the fast shipment of goods to and from national and international markets. High-value, time-sensitive products from computer chips to fresh fish and perishable fruits travel through Sea-Tac.

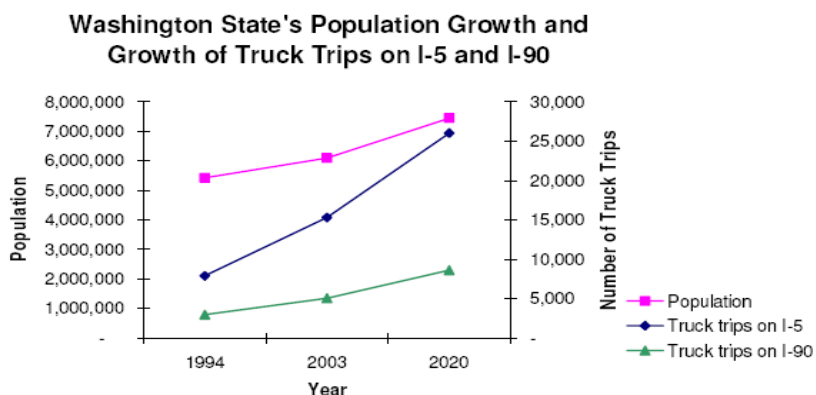
About 76% of all international containers arriving at our ports are transferred to rail and delivered to the Midwest and/or the East Coast and about 70% of international goods entering Washington gateways continue on to the larger U.S. market. The remaining 30% becomes part of state's manufactured output or are distributed by local retailers. Our state's manufacturers and farmers rely on the freight system to ship Washington-made products to U.S. markets and worldwide. Regional manufacturing, agriculture, construction, and forestry depend on an effective and efficient freight transportation system. In 2002, Washington State farmers and ranchers produced \$5.6 billion in food and agricultural products. Transportation is especially important for Washington agriculture because the state produces about three times as much food – and for some commodities up to twenty times as much – as it consumes, and is separated by long distances from the majority of the nation.

Washington's freight distribution system is vital in distributing the necessities of life to every resident of the state everyday. Without it, the economy of the region would no longer function. Up to 80% of all truck trips operate in the local distribution system. An enormous variety of goods are handled on this system: food and groceries, fuel, pharmaceuticals and medical supplies, retail stock, office supplies and documents, trash and garbage, construction materials and equipment. Final distribution of goods is almost 100% by truck and thus entirely dependent on state highways and county and city roads.

Freight Congestion

Freight growth in Washington is fueled by globalization, and new competitive transportation trends and technologies. Freight volumes in Washington are growing twice as fast as the State's population. Figure 3-10, though out of proportion, gives some indication of the rising rate of freight trips.

Figure 3-10



(Source: WSDOT)¹⁸

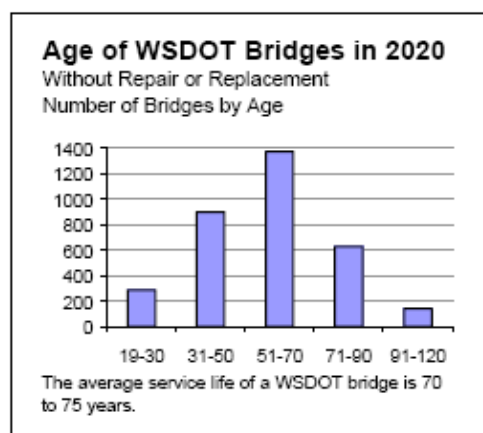
Much of the significant freight congestion is in the north-south freight corridor, including Interstate 5 from Everett to Olympia and the full length of I-405 and Highway 167. The majority of Washington State air cargo moves through Seattle-Tacoma International and King County Airports, causing further congestion on Interstate 5 in central Puget Sound, and eastbound on Highway 518 from Sea-Tac to Interstate 5. The primary freight constraint on I-5 is from central Puget Sound to the south. While local delivery of products arriving and departing the region is not a significant portion of road traffic, delay of high value cargo is a serious issue for shippers and recipients.

¹⁸ WSDOT, "Freight Systems Washington Transportation Plan," 07/2005

Traffic congestion directly impacts reliability and on-time performance of the state's cargo system, contributing to higher business costs. Based on PSRC modeling data for year 2000, there are more than 45,000 hours of truck delay in the four county region on an average weekday. WSDOT estimates that costs to the Central Puget Sound are between \$125 million and \$200 million per year in cost to our economy.¹⁹ Ultimately, if transportation costs make the region less competitive, the region could lose freight market share and jobs.

Deteriorating infrastructure and inadequate new capacity

Figure 3-11 (Source: WSDOT)



The history of underfunding roads over the last three decades has serious consequences for our economy in several areas.

Bridges: When we think about infrastructure, we tend to focus on the large projects highlighted in the news, such as the Alaska Way Viaduct and the SR520 Bridge. Yet the need for infrastructure maintenance and seismic retrofit is much more extensive. Figure

311 provides bridges ages in 2020 based on current WSDOT estimates. According to WSDOT, over one-third of these aging structures have been rated “functionally obsolete,” meaning they don’t meet standards for roadway width, bridge clearances, or load carrying capacity. Another 152 bridges have been rated “structurally deficient.”²⁰ WSDOT has tried to efficiently keep our bridges and overpasses maintained but funding has not kept up with regional needs and our region faces significant safety and seismic concern which can only be addressed with more revenue.

Maintaining Roads and Highways: Each mile of road requires maintenance, including:

- pavement resurfacing and reconstruction
- patching potholes and sealing roadway cracks
- cleaning ditches and culverts

¹⁹ WSDOT estimate, provided to RTC on request.

²⁰ Washington's Transportation Plan, WSDOT, 02/2002, p.30 http://www.wsdot.wa.gov/NR/rdonlyres/52D6A58D-9603-43BB-AA0B-D60EC7F989C6/0/WTP_web.pdf

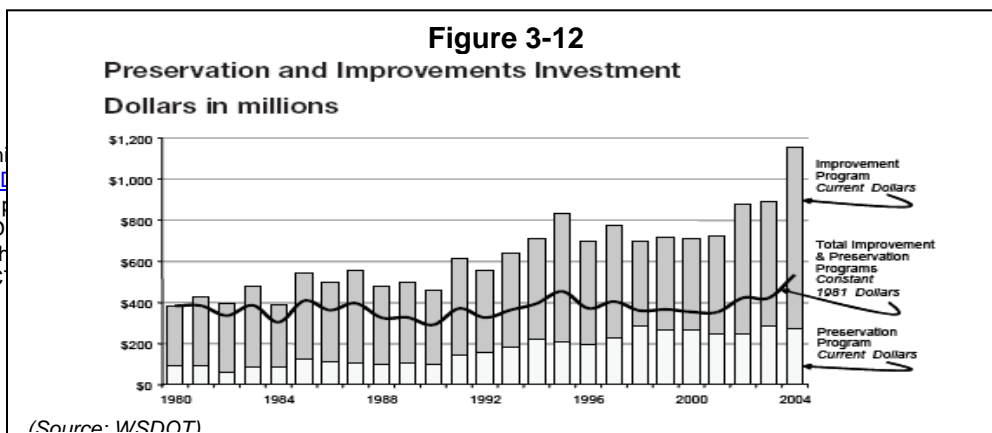
- striping and painting roadway markings
- fixing damaged guardrails or fencing
- controlling noxious weeds
- maintaining lights and traffic signals

In addition, our region's roads require a regular, intensive program of preservation expenditures, involving the replacement of our system's roadways, to meet the public's priority of maintaining mobility and safety. The WSDOT 2007 Washington Transportation Plan has identified preservation and safety as two of its top priorities.²¹ These costs represent 45 - 55% of the capital expenditures for highways, leaving little for new construction. In the eighteen years between 1982 to 2000, Washington State made minimal investments to expand the highway system — total lane miles increased by only 6%. During the same period, travel on the state's highways increased by 72%.²²

As the road networks age and are more heavily used there is a need to increase total maintenance and preservation expenditures. In 1980 preservation were under \$100 million or approximately 25% of the WSDOT construction budget. By 1998, preservation of the existing system had increased to over \$250 million or 41% of the budget. Investing in preservation protects past investments but reduces available funding for highway improvements in safety and congestion relief. With the Legislature's passage of the Nickel gas tax package (2003) and the start of the capital construction projects associated with the tax increase, the ratio returned the preservation program to 25% of the budget in 2004.²³

While annual WSDOT capital investment roughly threefold between 1980 and 2000, expenditures rose only slightly in constant dollars despite the growth in traffic as shown in Figure 3-12. While personal income and demand for our transportation system increased, the state's transportation capital investment per income dollar declined by nearly 50% over the same period.²⁴

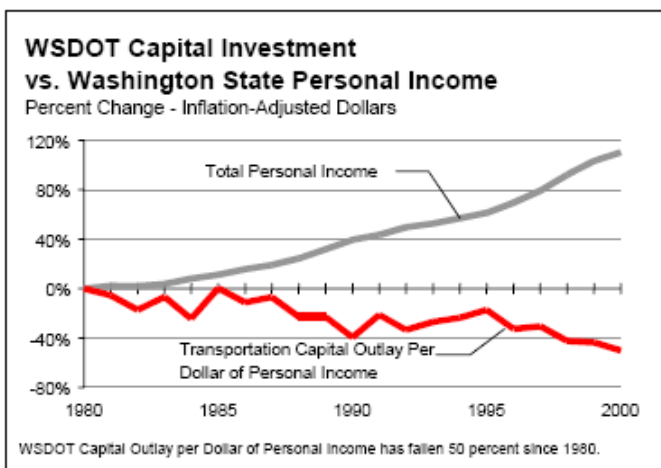
²¹Wash
C0A211
²² Ibid, p
²³ WSD
²⁴ Wash
D60EC



Inadequate New Capacity: As a result of funding delays and inadequate funding, important projects have been delayed throughout the region including:

- Sections of major roads and highways including SR99 (the Alaska Way Viaduct), SR520, I-405 and SR509 in King County, SR509, SR522, and US-2 in Snohomish County, the Tacoma Narrows Bridge Expansion, SR167, and SR16, in Pierce County and SR304 & 305 in Kitsap County.
- Completion of the Puget Sound Core High Occupancy Vehicle (HOV) system through Pierce County, South King County, and Snohomish County.
- Additional rail capacity in strategic areas between Tacoma and Everett to provide capacity for freight and passenger volumes to grow.

Figure 3-13



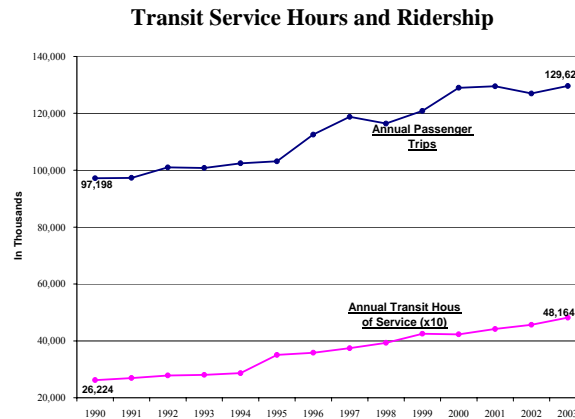
Increasing capital and operational funds for additional transit service is a high regional transportation priority, as we cannot simply build our way out of congestion with more highways and roads.

Growth in transit

Transit agencies over the last three decades have received substantial funding and become an increasingly important part of our transportation infrastructure. What follows is background on regional transit agencies. In 2004, Puget Sound residents took over 130 million trips on public transit, an increase of almost 5% over the previous year, and has

been increasing ever since.²⁵ In total, transit accounts for approximately 4% of total trips. During peak commuter hours, that ratio rises to 7%.

Figure 3-14 (Source: WSDOT)



Transit can be a powerful tool to reduce road congestion during heavy commute hours and thus success is based on the degree to which public transit is used during peak times, when there is the greatest need for a substitute for SOVs. While public transit still represents only 7% of total peak hour trips, that figure masks an important trend. Data provided to the Commission suggests that focusing high capacity solutions on the most heavily traveled routes during peak hours can shift usage and if sufficient transit capacity is provided, noticeably reducing congestion. Data in this area is challenging because it is necessary to estimate users by route on all modes of transportation on a route at a particularly busy time. In their comments to the Commission, local transit agencies indicated that on some key routes as much as 40% of trips used transit, vanpooling and carpooling.²⁶ This is supported by the PSRC Milestones Study which indicates that on I-5 between 29% and 40% and on SR 520 in Medina 76% of passengers being carried in 2 and 3 person HOV lanes, during rush hour are being carried by buses but it is still difficult to equate that to total usage of all lanes.²⁷ The study goes on to indicate that the 2000 share of total commute trips on transit in our four largest cities were 2.8% into Everett, 4.2% into downtown Tacoma 6.5% into Bellevue and 35.6% to downtown Seattle²⁸. The most detailed study we found was provided by WSDOT and indicated that during peak times, the sum of transit and high occupancy vehicles and van pools represent between 23% and 37% of rush

²⁵ WSDOT, Summary of Public Transportation, 2004, p.2

²⁶ Letter to Commission from six transit agencies, December 4, 2006.

²⁷ PSRC, Metropolitan Transportation System: Regional Transit – Puget Sound Milestones, pg 21

²⁸ <http://www.psrc.org/projects/monitoring/transit/transit.pdf>

²⁹ Ibid pp 28-42

hour commuter trips on certain routes (Figure 3-15). According to the study, the percentage of total commuters utilizing SOV's during the peak hour is lower than the average, but still at least 62%. Transit was no more than 13%. Because the required capacity for road and transit networks (lane miles and buses or rail) is driven by demand during the busy or peak hour of use, we were encouraged by the use of transit or carpools has reduced congestion and peak period demand for roads.

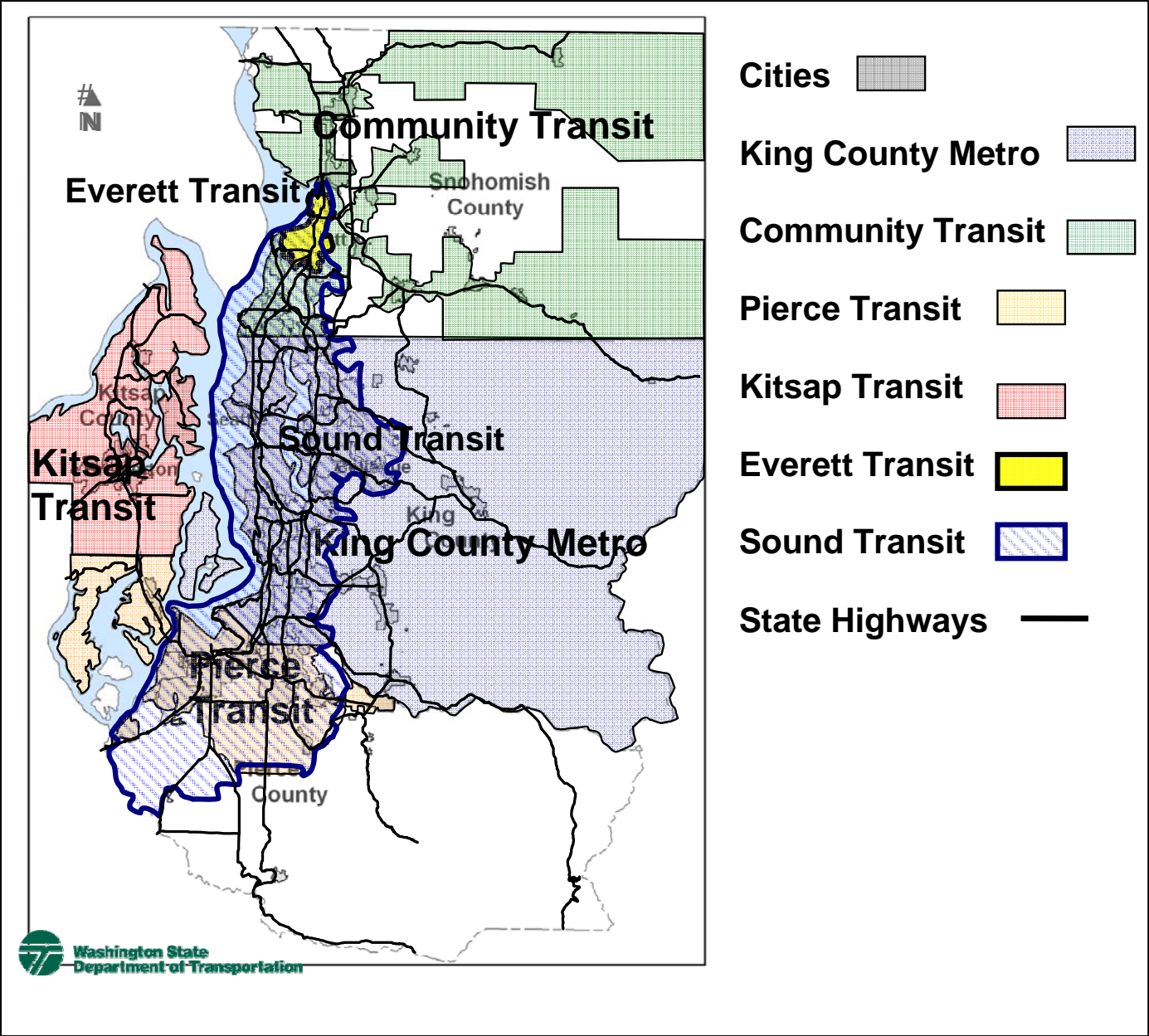
Figure 3-15

Year 2000 Person Trips on some heavily used highways			
Morning 3 hour Commute period in peak direction			
	I-5 @ Southcenter	I-90 @ Eastgate	SR520 @ 140th NE
Transit	13%	2%	7%
HOV	24%	21%	23%
SOV	<u>62%</u>	<u>77%</u>	<u>70%</u>
	100%	100%	100%
Source: WSDOT			

Transit agencies in the region

There are 28 transit agencies in Washington, serving a variety of large urban areas, small cities and rural areas. Of these, six operate in the Puget Sound region, including most of the major urban transit systems. As illustrated by Figure 3-16, there is a certain amount of overlap to these services, due to the fact that Sound Transit is a regional agency, and county and local transit agencies operate in geographically specific areas. Even in these agencies though, there has been an increasing demand for regional service.

Figure 3-16



Sound Transit: In 1993, the Legislature authorized King, Pierce and Snohomish counties to create a regional transit agency – The Central Puget Sound Regional Transit Authority (Sound Transit) – to plan, build and operate a high-capacity transit system within the region's most heavily used travel corridors. Initially voters were skeptical, and plans for mass transit were turned down by the voters worried about costs and scope of the new authority. A subsequent vote approved the plan. Sound Transit coverage includes a population of 2,652,300 as of 2006 encompassing the Urban Growth Areas of the three large counties.²⁹ The system includes: high-occupancy vehicle (HOV) lane access improvements; ST Express bus routes; Sounder commuter rail; Link light rail; and new park-and-ride lots and transit centers. ST Express regional buses connect Seattle, Bellevue, Everett, and Tacoma, the largest urban centers in the region. The Tacoma Link light rail line began operating in August 2003.

Light rail trains are expected to begin carrying passengers in 2009, stopping at 12 stations and running 4.4 miles on elevated tracks, 2.5 miles in tunnels and seven miles at grade. To support that line, Sound Transit is retrofitting the Downtown Seattle Transit Tunnel and its existing stations for joint use by both light rail trains and buses. Once this initial segment of the light rail line opens, Sound Transit will extend the line another 1.7 miles to the Seattle-Tacoma International Airport as a thirteenth station. Sound Transit also operates the Sounder commuter heavy rail train, and a system of express buses.

King County Metro was originally introduced as a sewage treatment entity in the 1960's and received the support of King County voters through its success in improving water quality. That support persuaded King County voters to grant it additional authority to operate a public transportation system in 1972 following the defeat of two rapid transit proposals that were part of the Forward Thrust package. Metro Transit was created by merging the public Seattle Transit System that served the city with the private Metropolitan Transit Corporation that served the suburban areas. Metro was merged into King County government following the *Cunningham* court decision. Today, King County Metro provides transit service, to an area of 2,134 sq. miles, a population of over 1.8 million, with over 95 million annual boardings. Its assets include 10 transit centers and over 21,000 park and ride spaces.

Kitsap, Pierce and Snohomish Local Transit Agencies: Recognizing the need for localities to provide transit services to fit their local areas, the State Legislature granted local

²⁹ Provided to Commission by Sound Transit staff.

governments authority to create Public Transportation Benefit Areas to provide transit services in 1975. Pierce County and Kitsap County transit agencies within but not covering all of their respective counties. In Snohomish County, Everett Transit serves the City of Everett and Snohomish county-based Community Transit which operates transit services mainly in the portions of the county, although it does run services in and out of Everett and does provide commuter services into King County. Everett Transit, along with Metro are a part of their respective city and county governments while Pierce Transit, Kitsap Transit and Community Transit are operated as independent public transportation entities governed by boards of local elected officials.

The five agencies that are local in nature and governance have worked extensively together to coordinate services and create integrated payment plans. In a joint letter to this Commission, the agencies commented that “successful coordination” included:

- Downtown tunnel closure mitigation
- Multi modal stations
- The SR-522 corridor
- Integration with ST Sounder service
- Park and Rides and transit centers Sound Move Projects.³⁰

In addition, the agencies described financial cooperation including:

- Regional Fare Agreement
- Smart card
- Reduced fare permits
- Para-transit service coordination.³¹

The agencies have overlapping although coordinated routes, particularly on Interstate 5, Interstate 90 and SR-522. In some cases, such as the Bellevue to Seattle route covered by both Metro and Sound Transit, this has the effect of producing unintended competition.

The six agencies price their services individually. As noted in a letter to the RTC from Pierce Transit, CEO Lynne Griffith, in a section labeled as “Remaining Challenges”:

³⁰ December 4, 2006 letter to RTC from Metro Transit, Community Transit, Kitsap Transit, Sound Transit, Pierce Transit and Everett Transit, pp 5-7.

³¹ Ibid pg. 9-10

“None of the transit operators believes that the current level of fare integration is adequate or that we don’t need to look for additional integration opportunities. Most conspicuously, the system, when considered from a regional perspective, is complex. While regional areas are generally consistent, local areas vary widely. Everett employs a flat fifty-cent fare and does not issue transfers. Community Transit charges \$1.25 for a local ride while Pierce Transit charges \$1.50. King County Metro employs peak and off-peak fares. While the institution of the Puget Pass has mitigated the problem for the majority of inter-system riders who use a pass, all this can be confusing for cash riders who occasionally ride more than one system.

“Despite agencies’ efforts to introduce consistency, there are a number of reasons, some outside systems’ control, these variations continue.”³²

The chart below in Figure 3-17 lists the major systems and provides basic ridership information.

Figure 3-17 Puget Sound Transit Agencies (2004 data)					
Agency	# of Routes	Passenger trips (fixed route)	Revenues (fixed route)	Expenses (fixed route)	Revenue/ operating expense
Sound Transit	18 ³³	8,394,273	\$10,942,521	\$52,064,990	21.0%
KC Metro	273	98,250,237	\$73,596,602	\$352,095,962	20.9%
Pierce Co. Transit	50	13,992,713	\$7,358,403	\$59,821,695	12.3%
Community Transit	69	9,130,837	\$12,153,171	\$64,648,988	18.8%
Everett Transit	10	1,927,339	\$1,063,843	\$7,555,668	14.1%

Source: Transit agencies reports. Inadequate data for Kitsap transit.

The suggestion in our draft report that it was worthwhile to consider studying possible combination of transit agencies, produced extensive comments from the agencies. While this report does not address possible consolidation because of our limited scope, time and resources, we recommend that it would be worthwhile for the new commission, the State Auditor or an expert commission to examine the possibility of combining the local transit systems into a single organization.

Conclusion

The population, geography, density and growth of the Puget Sound region make transportation both vital and challenging to provide. Population growth, suburbanization of residential population and decentralization of the business sector have changed the commuting patterns

³² Letter to RTC, p. 11, November 30, 2006

³³ Sound Transit includes 18 routes contracted with other transit agencies in region, Sounder trains and Tacoma Light Rail.

and thus transportation needs of the workers and employers. The state's position as a 'small nation' creates has intensified the freight needs of the region and the transportation system has not responded effectively.

Our transportation network is being choked by serious congestion, causing delays in commuting, non-work trips, and freight. We also have two related issues to contend with; deteriorating infrastructure and a need for new capacity in all elements of our system. Although some of these effects are due to population growth and its attendant economic activity, they have been amplified by a transportation system which has not kept up with our state's needs.

Our regional transit service is extensive with Sound Transit light rail service is under construction to initially provide a 14 mile route in Seattle. Different transit agencies arose at different times, serving different customer bases that have themselves changed over the course of our region's growth. Transit systems that operated as local agencies are now serving regional routes and coordinate their services with other transit agencies. There are a number of mechanisms that exist to coordinate fares and scheduling between transit agencies, including the Transportation Integration Group, which includes representatives from all major transit agencies. The development of Puget Pass and other common fare systems continues with the development of the Smart Card technology. The transit agencies have made great progress and cooperate extensively. Overlapping coverage areas and routes, differential fares, raise the issue of how these transit agencies cooperate in the future to shift demand to transit during peak commuter hours.

It is important to note that changes that are difficult to predict will affect demand for our transportation system over the next three decades. The RTC has not addressed several long-term possible challenges. Volatile fuel prices will affect costs and transit substitution. The response to environmental concerns may mandate stricter attention to environmental standards and patterns of land use. Technological innovations, ranging from better data collection of ridership patterns to congestion pricing, may offer solutions presently difficult to completely visualize. All of these factors will impact total consumption of transportation services and modal choices. They suggest the need for government to be flexible and responsive to the dynamics of transportation, residential and employment factors.

Chapter 4

The Financing Challenge

Introduction

Transportation has historically been the largest category of annual capital investment by the State of Washington. Maintaining roads and transit and responding to our growing population have been complicated by delays in funding transportation over the last 30 years. In Appendix 4-1 we have provided a brief history of transportation funding and structure which is helpful background. The delays, caused by lack of consensus among regional leadership and, in certain cases, by voter opposition, has postponed major projects while costs have risen dramatically. The Blue Ribbon Commission, WSDOT, and the PSRC all quantified the massive transportation needs in the Puget Sound region. We interviewed 42 parties, including all of the regional agencies, the four county transportation departments, all of the large cities and many of the smaller cities within the region. Every single agency we met unanimously expressed the view that there is not enough funding dedicated to transportation projects in the region, and that the primary solution to our challenges is more money. All of these agencies participate in planning with the PSRC, and the transportation plan produced from their work, Destination 2030, is the best single assessment of the needs of the region. We also received excellent cooperation from the WSDOT and PSRC staff and received information on funding needs. This information led the Commission to address three fundamental questions in this chapter:

- What are the transportation funding needs between 2007 and 2030?
- What are the presently authorized sources of funding?
- Approximately how much is the shortfall?

What are transportation funding needs between 2007 and 2030?

The PSRC provided the RTC with a draft summary of the combined requirements or PSRC-approved requests of all transportation agencies in the region through 2030. The total cost of “estimated funding needs” is \$134.5 billion in 2006 dollars, as summarized in Figure 4-1. Total planned investments in transit programs require a total of \$66 billion, approximately 49% of the total regional need.¹

¹ The numbers provided by PSRC are preliminary draft numbers provided by their staff and include \$5.8 billion in the regional costs of state ferries, totaling \$139.8 billion. However, we excluded state ferries from our analysis because their services extend beyond the boundaries of the region.

The table below divides needs into two main categories: basic needs and system expansion. **Basic need** expenditures include \$45.9 billion for maintaining and operating the existing system. Of those costs, 60% are for transit related projects and 40% are for road projects, including state highway projects and city streets and county roads.

The PSRC projects that \$86.6 billion will be needed for **system expansion** over the next 24 years. Those expenditures include approximately \$38.5 billion for expansion and operating expenditures in transit (44.4%), \$28.2 billion for expenditures in state highways (32.5%), and \$18.5 billion in municipal and county streets and roads (21.4%).

Figure 4-1			
<i>Programmatic Areas⁽¹⁾</i>	<i>Basic Needs</i>	<i>System Expansion</i>	<i>Total Planned Investment</i>
2007-2030	millions of year 2006 dollars		
City Streets and County Roads	10,770	18,510	29,280
<i>Percent of total</i>	23.4%	21.4%	21.8%
<u>State Highway</u>			
Corridor Projects	2,000	17,890	19,890
Other State Highways	<u>5,650</u>	<u>11,770</u>	<u>17,420</u>
Total Highway	7,650	28,170	37,310
<i>Percent of total</i>	16.7%	32.5%	27.7%
<u>Public Transit</u>			
Regional Transit	6,020	30,410	36,430
Local Transit	<u>21,500</u>	<u>8,040</u>	<u>29,540</u>
Total Transit	27,520	38,450	65,970
<i>Percent of total</i>	59.9%	44.4%	49.0%
Other Regional needs ⁽²⁾			1,960
			1.5%
Total ⁽³⁾	45,940	86,620	134,520
(1) Source: PSRC draft estimates provided to RTC 10/26/06. Chart shows all projects and programs in the Destination 2030.			
(2) Other Regional needs include: Vehicle Trip Reduction/TDM, Regional Bike and Pedestrian Needs, Regional Park-and-Ride Facilities and ITS Applications.			
(3) State Ferries - not included in total	5,400	450	5,850

Local transit represents 22% of total expenditures, approximately the same amount of money required for city streets and county roads. Sound Transit system expansion expenditures of \$30.4 billion will be the largest use of funds in transportation costs over the next 24 years – more than projected expenditures for state highways. It should be noted, though, that the highway cost estimates originate with WSDOT and include the prior lowest cost for replacing the Alaskan Way Viaduct and the SR520 Bridge, and those estimates have not been updated by PSRC for the decision on those projects.

These cost projections, based primarily on projects included in the Blue Ribbon Commission Report, were estimated to cost \$105 billion in 2001. The increase between 2001 and 2006 is due to significant construction cost inflation during the last five years and the addition of new projects such as improvements to Highway 167.

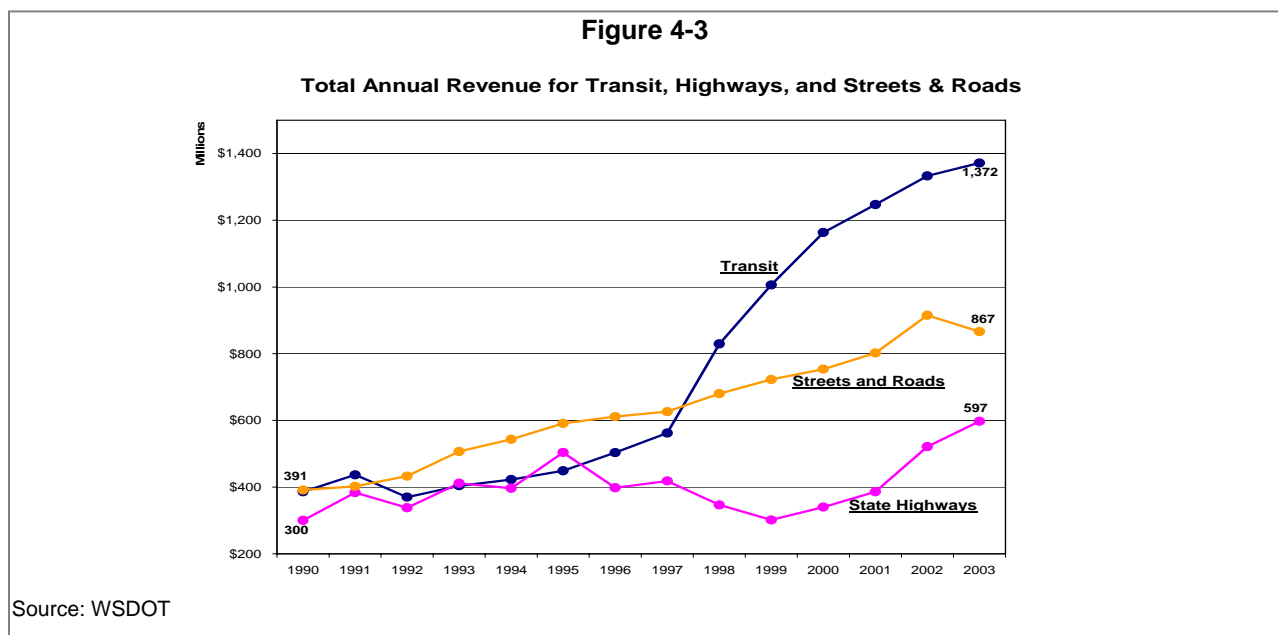
What are the presently authorized sources of funding?

Currently authorized funding (excluding state ferries) provides a total of \$72 billion, of which 54% is for regional and local transit and 46% for roads, as summarized in Figure 4-2. The five local transit agencies represent the largest portion of authorized funding, providing \$27.8 billion, or 42% of current total. On the November 7, 2006 ballot, citizens voted on a Transit Now proposal from King County and a major street repair proposal from Seattle. The passage of Transit Now adds an additional \$1.2 billion to revenue total, and the Seattle streets proposal adds \$800 million.

Figure 4-2				
Programmatic Areas	Historic Approved Funding	Nickel Package and TPA	2006 Ballot measures	Currently Mandated Revenue
<i>2007-2030</i>				
City Streets and County Roads	21,470	300	800	22,570
<i>Percent of total</i>	33.6%	5.0%	39.8%	31.4%
State Highway	4,950	5,730	-	10,680
<i>Percent of total</i>	7.7%	95.0%	0.0%	14.8%
<u>Public Transit</u>				-
Regional Transit	10,870	-	-	10,870
Local Transit	<u>26,630</u>	<u>-</u>	<u>1,210</u>	27,840
Total Transit	37,500	-	1,210	38,710
<i>Percent of total</i>	58.7%	0.0%	60.2%	53.8%
Total	63,920		2,010	71,960

		6,030		
(1) Source: PSRC draft estimates provided to RTC 10/26/06 updated for results of November 2006 election. Chart shows all projects and programs in the Destination 2030.				
(2) State Ferries - not included in total	3,790	330		4,120

Most of the growth in revenues (and expenditures) over the past 15 years has occurred in transit. Figure 4-3 demonstrates the degree to which transit revenue growth has outpaced revenues and expenditures for roads. Much of the sharp rise on the chart after 1997 in transit investment is due to the initial construction costs of the Sound Transit system.



The Legislature has mandated that RTID and Sound Transit seek joint voter approval for improvement packages in the November 2007 general election. We do not yet know the amounts that will be proposed, but if approved they would add to the mandated revenue funding and reduce the shortfall described in the next section.

Is there a shortfall in funding?

Based on existing approved funding, the regional transportation funding shortfall is currently \$62.6 billion for transportation projects between 2007 and 2030. In Figure 4-4 below, we excluded ferries from our analysis (approximately \$5.9 billion in investment and \$4.1 billion in revenues).

Figure 4-4			
Programmatic Areas⁽¹⁾	Current Law Revenue	Total Planned Investments	Shortfall
2007-2030		millions of year 2006 dollars	
City Streets and County Roads	22,570	29,280	-6,710
<i>Percent of total</i>	31.4%	21.8%	10.7%
<u>State Highway</u>			
Corridor Projects		19,890	
Other State Highways		17,420	
Total Highway	10,680	37,310	-26,630
<i>Percent of total</i>	14.8%	28.4%	42.6%
<u>Public Transit</u>	-		
Regional Transit	10,870	36,430	-25,560
Local Transit	27,840	29,540	-1,700
Total Transit	38,710	65,970	-25,890
<i>Percent of total</i>	53.8%	51.2%	41.4%
Other Regional needs ⁽²⁾	-	1,960	-1,960
		1.6%	3.6%
Total ⁽³⁾	71,960	134,520	-62,560
(1) Source: PSRC draft estimates provided to RTC 10/6/06. Chart shows all projects and programs in the Destination 2030; both the financial constrained plan and the "Illustrative List" which currently includes \$17.1 billion in ST Long-Range Vision and \$5.3 billion in WSDOT long-term program.			
(2) Other Regional needs include: Vehicle Trip Reduction/TDM, Regional Bike and Pedestrian Needs, Regional Park-and-Ride Facilities and ITS Applications.			
(3) State Ferries - not included in total	4,120	5,850	(1,730)

Of the \$62.6 billion shortfall, 43% of it is in state highways and 41% in transit. About half of this shortfall has been placed in a separate category by the PSRC, and listed as "planned, but not funded." The balance represents projects that are still seeking funding. Nonetheless, the total shortfall is the current best estimate. In addition to this, there is also an identified need by PSRC for other costs including vehicle trip reduction, regional Park & Rides, and ITS applications which total \$1.9 billion and are not funded.

Disproportionate Transportation Needs in the Puget Sound Region

A central theme of the Blue Ribbon Commission report in 2000 was that the densely populated Puget Sound region has a disproportionate need for transportation services, compared to the rest of the state. Yet the legislative process tends to distribute state revenue relatively evenly to taxpayers across the state. It became apparent to the Blue Ribbon Commission that revenue needs in the central Puget Sound counties were disproportionately larger than the state taxes collected in those counties.

This led the Blue Ribbon Commission to recommend the creation of a new regional authority to meet the region's transportation and land use goals. In response, the Regional Transportation Investment District (RTID) was created by the Legislature in 2003. The RTID Planning Committee's charge is to develop and present a list of road and highway projects for consideration on the November 2007 ballot.

The region has, through a series of popular votes, decided to invest in transit, both now and in the future. The 18th Amendment to the State Constitution requires using Motor Vehicle Fuel Tax revenue for roads, bridges and ferries, and therefore transit is primarily supported by local and sales tax revenues.

During the 1950s and 1960s, significant road funding was provided by Federal sources. But by the 1970s and 1980s, Federal funding was reduced, and since then the largest portion of funds is provided by state tax distributions. Because of the disproportionate needs in the region in the future, PSRC data suggest that over 60% of the total cost of transportation systems costs in the Puget Sound region will be paid for by local taxes, fees and bonds. An additional 12% of the costs will be provided by users through transit fares and highway usage fees, meaning that 74% of total payment will be by local constituents. Yet this shift in financing responsibility has not been matched by a shift in governance. To a large degree, state voters still indirectly make decisions on roads paid for by the region.

Figure 4-5						
CURRENT LAW REVENUES - DESTINATION 2030 (2007-2030) ⁽¹⁾						
Revenues by Source in constant 2006 \$ in millions	City Streets/ County Roads	State Highway	Local Transit	Sound Transit	Total	Percent of total
Operations	-	850	4,660	1,000	6,510	9.0%
Local Taxes, Fees & Bonds	16,740	-	20,685	9,460	46,885	65.2%
State Tax Distributions	4,260	8,215	-	-	12,475	17.3%
Federal Tax Distributions	1,570	1,615	2,495	410	6,090	8.5%
Total in Constant Dollars	22,570	10,680	27,840	10,870	71,960	100.0%
Percent of total	31.4%	14.8%	38.7%	15.1%	100.0%	
(1) Source: PSRC draft estimates provided to RTC 10/6/06. Chart shows all projects and programs in the Destination 2030; both the financial constrained plan and the "Illustrative List" which currently includes \$17.1 billion in ST Long-Range Vision and \$5.3 billion in WSDOT long-term program.						

As Figure 4-5 illustrates, these sources of transportation funding will come primarily from local taxes and fees. The \$8.2 billion in state revenues for state highways represents only 22% of the \$37.3 billion in planned state highway investment identified as Figure 4-4, and Federal sources represent only 8.5% of the total revenues as identified in Figure 4-5. Revenues are largely generated and distributed within the region through \$46.9 billion in local taxes, fees and bonds and \$9.4 billion in local operations. Because the state raises taxes statewide and has imposed two substantial increases to the MFET in the past 5 years, it is likely that the region will need to fund virtually all of the current shortfall.

The revenue shortfall for the state highway system in the region is a central issue for the state and this Commission. While the needs for the state highway system are projected to be \$37.3 billion, the state is only expected to provide about \$8.2 billion of the financial support, based on current sources.

In these estimates, we have included PSRC's estimates of Federal monies from the Federal Highway Trust Fund, which was created to build and operate the interstate highway system. Yet, according to Secretary of WSDOT, Doug MacDonald, there is a substantial likelihood that the Federal government will increase the Federal gas tax in order to maintain this system. If so, most of the monies that are in the fund will be used to maintain and preserve existing interstate road systems. PSRC estimates that over the next 24 years, only \$1.6 billion would be available from the Federal government for state highways and additional \$1.6 billion would be available for city streets and county roads. Transit systems separately funded by Federal transit programs will have \$2.9 billion available for local and regional transit projects listed in Destination 2030.

Conclusion

The financial challenge facing the Puget Sound region is that the development of our economy and the growth of our population have increased dramatically the need for transportation services. While highway services were historically paid for predominantly by Federal and state government taxes, those revenues are no longer available in sufficient amounts. Transit needs have historically been funded with regional and local taxes. The absence of sufficient state money to support highways will force the region to begin collecting higher taxes and/or user fees within the region. The prospective future funding capacity of the region is addressed in Chapter 7, but as it stands, the need for additional transportation services will exceed the total

amount of dollars available, even using the most optimistic revenue numbers. As a consequence, the solution to our challenges requires both new revenue sources and aggressive prioritization of the total planned investments in transportation in the central Puget Sound.

Chapter 5

Prioritization Challenges

Introduction

Transportation services are vital for the region's success. Yet the mechanisms available to the various transportation agencies in the region to plan, prioritize and fund are obviously not keeping up with our needs. Congestion affects all commuters and other users, and imposes burdens of increased delays, economic loss and reduced quality of life. Meeting the region's transportation challenges will require more money, but will also necessitate the development and management of a more coordinated system of intelligently prioritizing investments that will provide funding for critical projects based on our multi-modal regional needs. Developing a more effective, regionalized governance structure that can address all of the challenges and needs of the region, is fundamental to our success.

Given the substantial funding requirements, it is vital that the region establish clear priorities regarding its transportation needs. This chapter describes the region's transportation planning bodies, agencies and government departments and explains how they work today to prioritize transportation investments. In this chapter we discuss the background and roles of seven key players in prioritizing transportation for the Puget Sound region including the Puget Sound Regional Council (PSRC), the Regional Transportation Investment District (RTID), Sound Transit (ST), the Washington State Transportation Commission (WSTC), Washington State Department of Transportation (WSDOT), Washington State Legislature and finally, the voters. This chapter outlines the prioritization process both within and between all of these entities.

While successful leaders and managers play an essential role within these entities, it is the agencies' structural role in transportation prioritization, and how well they interact, that determines the region's progress in addressing its transportation needs. Formal and informal discussions with over 100 individuals and more than 50 agencies reveal the difficulties that these individuals and agencies face when attempting to prioritize regional interests in transportation infrastructure. These officials bring hard work, intelligence and insight to their roles. However, they are charged with advancing the interests of an individual agency, district, city, county, or the state as a whole, or with protecting the interests of a particular mode of

transportation, such as roads or transit. The Puget Sound Regional Council (PSRC) attempts to address these conflicting interests by producing documents that integrate Federal and state planning statutes, such as Vision 2020 and Destination 2030. Yet these guidelines are limited by PSRC's charter to develop and endorse broad planning mandates. The absence of a central organization with the authority to prioritize and fund regional transportation projects across local and modal boundaries is a fundamental flaw in the present system, and is interwoven with the other serious problems of explosive and uneven growth, long term revenue declines and under-funding.

Puget Sound Regional Council (PSRC)

The governments in the Puget Sound region established the PSRC through an interlocal agreement on October 1, 1991, as the Regional Transportation Planning Organization (RTPO). The PSRC also serves as the Metropolitan Planning Organization (MPO) in the Puget Sound region for Federal planning and funding purposes. State law currently requires these to be the same body. As described on its website:

The Puget Sound Regional Council is an association of cities, towns, counties, ports, and state agencies that serves as a forum for developing policies and making decisions about regional growth and transportation issues in the four-county central Puget Sound region. ... The Regional Council is not a regulatory agency; it is a planning agency.¹

The PSRC distributes approximately \$160 million in Federal Highway Administration and Federal Transit Administration funds each year. Through the Inter-local Agreement, the PSRC carries out state and Federal planning activities on their behalf. Its primary tool for transportation planning in the region is Destination 2030, the region's long-range transportation plan. Destination 2030, is an analytical tool that provides:

- A long-range projection of the region's transportation needs as identified by cities, counties and other agencies;
- Baseline information on the current performance and projections of future performance of the transportation system;
- Ways to preserve and maintain the existing system and make it more efficient;
- Possible ways to finance future transportation improvements, and
- An evaluation of the potential impact of improving or not improving the system.²

¹ PSRC website: <http://www.psrc.org/about/what/faq.htm>

² Ibid.

The PSRC currently is working with local governments and other interest groups to develop recommendations for six policy areas: Special Needs, Security, Safety, Congestion Management, Environmental Mitigation, and Commute Trip Reduction.

The PSRC is governed by a 32 member Executive Board, which meets monthly. The 83 agency members include four counties, 71 cities and towns, two tribes, four ports, WSDOT and WTC – provides members with a role in major transportation decisions. The General Assembly, which has 1,153 total votes through a population weighted voting system, meets once per year. Most transportation planning is overseen by the Transportation Policy Board which advises the Executive Board. The 44-member Transportation Policy Board (24 voting, 20 non-voting), which includes representatives of the Regional Council's member jurisdictions and regional business, labor, civic and environmental groups. The agency has a biennial budget of \$24.5 million which is primarily used to pay planning, data management, planning studies, meeting Federal requirements and administrative costs. The PSRC has no taxing authority.

The PSRC is in an excellent position to accomplish the mission and goals of regional transportation prioritization but its current organizational charter and governance structure preclude it from carrying out that role. Today, the PSRC does not have the decision making authority to oversee or prioritize specific projects for the four-county region's transportation plans. This authority would be essential if they are to prioritize the region-wide projects that most efficiently address congestion problems. The \$134 billion in expenditures called for in the Destination 2030, represents three basic project investment categories:

- \$72 billion in projects currently funded projects, including high priority preservation, some expansion, and operations. This includes projects funded under the Nickel and TPA revenue streams, including Sound Transit 1, and local packages passed by Seattle and King County (Exhibit 4-2).
- \$31 billion in projects considered high priority, where a financial strategy is being developed, but are currently unfunded. These projects mainly involve expansion, with some high visibility and expensive preservation projects such as Alaskan Way Viaduct and SR 520 Floating Bridge. They also include Sound Transit Phase 2 and the RTID projects.

- Projects included in the third category are considered planned but not funded. This represents \$34 billion of projects involving future needs, including additional expansions of roadways and transit such as the build-out of Sound Transit system beyond ST2, various state highway and local needs.

Though the PSRC plays a vital role in planning and coordinating, the absence of centralized prioritization allows transportation projects to be built based on other local or modal criteria without recognition that total funds and funding capacity are limited. PSRC provides important regional leadership in economic, land use and transportation planning, but because the PSRC's governance structure relies largely on obtaining consensus among diverse regional groups, there is an inherent conflict between its governance structure and its ability to make tough regional prioritization decisions.

Regional Transportation Investment District (RTID)

The Legislature authorized creation of the RTID in 2002 (ESSSB 6140) as a financing entity charged with raising money to fund the disproportionately large transportation needs of the region. The RTID Planning Committee is currently developing a ballot proposal for the voters to approve RTID's creation with a funding package. Once formed, RTID will have regional taxing authority to fund "highways of statewide significance" through taxes imposed in the region, so long as the taxes are voter-approved. This will provide the citizens of most, but not all, of King, Pierce, and Snohomish counties with a mechanism to make direct investments in the region's transportation system, utilizing elected county representatives and existing local, county, and state transportation agencies.³ In 2003, ESSB 5247 amended the RTID statute to enable RTID to utilize a Local Option Gas Tax of up to 10% of the state gas tax collected in the region and SB 5769 amended the RTID law to allow RTID to borrow money (approximately \$4.5 billion and, with a 60% approval of voters, up to approximately \$14 billion) to speed the construction of projects. Also in 2003, SHB 2033 required that each county receive a proportionate share of tax revenue generated within that county in what is popularly called "*sub-area equity*."⁴ The legislation that created this Commission (ESHB 2871) also reduced the authorized sales and use tax that the RTID may impose from .5% to .1% and increased the authorized RTID motor vehicle excise tax from .5% to 0.8% and required that RTID seek voter approval jointly with Sound Transit in November 2007.

³ RTID website; <http://www.rtid.org/legislation.html#2002%20legislation>

⁴ Ibid

The RTID Planning Committee's primary contribution to regional transportation prioritization is the "Blueprint for Progress," a 2006 draft proposal that recommended regional road and bridge investments along key highway corridors in Snohomish, Pierce and King Counties, including SR 522, I-405, SR 520, and SR 167. It describes the corridor investments, funding sources, projects and construction schedules. The RTID Planning Committee has undertaken an outreach process based on those criteria designed to obtain input on the draft Blueprint. That input and the work of the RTID can be valuable in developing prioritization methods and may represent the start of objective prioritization guidelines for our proposed regional governance body. The Blueprint for Progress describes its method for choosing as follows:

"Recognizing there are more projects needed in the region than can be funded, the RTID Board developed a set of principles to evaluate how projects should be prioritized:

- Focus on corridors to reduce congestion, and improve safety and reliability
- Finish or leverage the effectiveness of projects which have received state funding in highly traveled traffic corridors
- Improve travel time for people and freight, especially during peak commute hours
- Consider construction phasing of highway improvements and regional transit projects to make it practical to 'get around' and finish improvements on time
- Keep the investment package affordable and cost effective
- Integrate road investments with regional transit project investments to ensure travel time improvements in all significant transportation corridors in the region."⁵

RTID is governed by a board consisting of the members of the county councils of the three counties within the RTID's boundary. Voting power is weighted based on population. The RTID Executive Board is empowered by the RTID Planning Committee to develop and recommend a three-county transportation and financing plan to the full Planning Committee. Shawn Bunney, Pierce County Council chairman, is the chairman of the RTID Executive Board. The RTID Planning Committee consists of 22 members, each county council member in the three-county area, and the Washington State Secretary of Transportation, who serves as its non-voting chairman."⁶ The legislation that allowed formation of the RTID restricted its

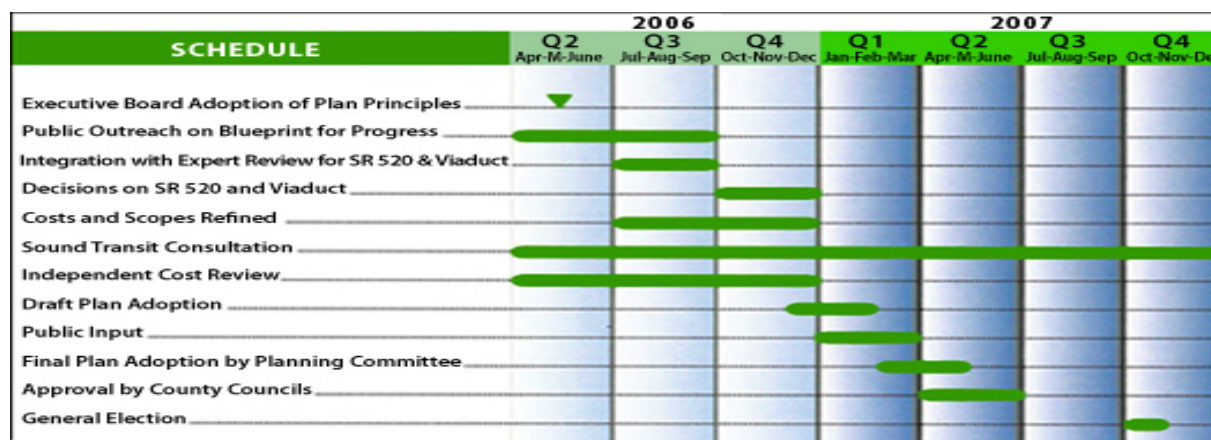
⁵ Ibid; see also Blueprint for Progress summary, at <http://www.rtid.org/blueprint.html>

⁶ Ibid.

ability to perform more than a financing role. It has been limited in staff and the RTID Planning Committee has primarily relied on consultants and WSDOT.

A number of factors, including volatility of roads funding (failure of R-51, passage of Nickel package and TPA), and legislative silos for RTID and ST, slowed progress of both organizations until this past year. But the 2006 legislation that formed this Commission (ESHB 2871) also mandated that the RTID Planning Committee and ST to work together toward a November 2007 joint ballot initiative. The RTID has published on its website a schedule that describes the agencies' plans to move forward on funding:

Figure 5-1



Source: <http://www.rtid.org>

This schedule includes consultation with ST throughout the ballot process. While multimodal cooperation will benefit from this arrangement, dollars for roads and dollars for transit will not be co-mingled or prioritized together. Further, the RTID and ST sub area equity concepts requires that funds be spent in each county (or sub area in the case of Sound Transit) for each mode. This further limits the degree to which projects can be prioritized.

If formed, the RTID will be an agency with a limited charter supporting roads in King, Pierce and Snohomish counties. As such, its authority and function have been restricted to acting as a central forum where (three of the four) county councils in our region come together in an attempt to prioritize the spending of roads monies obtained from financing sources that already have been changed three times in five years. The absence of staff has forced the RTID Planning Committee to rely on WSDOT staff, and disagreements between the RTID and the Legislature about the role of WSDOT stalled progress early in the RTID Planning Committee's

efforts. The strength of the RTID is that its board is empowered to make decisions and has to date made some valuable progress. This board prioritizes projects within counties, insuring that funds stay within each county, to insure that all counties have equitable funding available to them. Unfortunately, that same requirement can make it difficult to prioritize and assemble large scale financing for regional projects.

Central Puget Sound Regional Transit Authority: Sound Transit (ST)

The Central Puget Sound Regional Transit Authority, or Sound Transit as it is known, was authorized by the state Legislature in the early 1990s to create a mass transit system in the employment and population centers of King, Pierce, and Snohomish counties. It was authorized to plan, build and operate a high-capacity transit system within the region's most heavily-used travel corridors. Sound Transit's boundaries include the urban portions of the three-county area, including 2.65 million residents which is 81% of the three county population.⁷ The legislation creating ST specifies the manner in which projects may be undertaken. The provisions of this legislation are set forth on ST's website as follows:

- Equitable revenue distribution: Local tax revenues will be used to benefit the five sub areas of the Sound Transit District (Snohomish County, North King County, South King County, East King County and Pierce County) based on the share of revenues each sub area generates.
- Simultaneous work on projects in all sub areas: Work will begin on projects in each of the sub areas so benefits will be realized throughout the region as soon as possible. Projects likely to be implemented in the latter part of the first phase are those requiring extensive engineering and community planning.
- Coordinated services and integrated fares: Regional and local transit services will be coordinated and an integrated fare structure developed.
- System expansion or tax rollback: Any second phase capital program that continues using local taxes for financing will require voter approval, or Sound Transit will roll back the tax rate to a level sufficient to pay off outstanding debt, and operate and maintain the investments made as part of Sound Move.
- Annexations and extensions of service outside the Sound Transit District: Sound Transit may provide services outside the taxing district by contracting with local agencies. Areas

⁷ ST boundaries encompass 2,653,302 residents in 2006 population estimates. King, Snohomish and Pierce counties include 3,280,600 people and ST serves 75.3% of the four county area including Kitsap.

that would benefit from Sound Transit services may be annexed into the Sound Transit District if citizens within those areas vote for annexation.

- Public accountability: Sound Transit will hire independent auditors and appoint a citizen committee to monitor Sound Transit's performance in carrying out its public commitments. Citizens will be directly involved in the placement, design and implementation of facilities in their communities.

Consistent with state law, ST is governed by a Board of Directors made up of 17 locally-elected officials and the Secretary of WSDOT. The county executive in each of the participating counties appoints members from that county, and the county councils must confirm the appointments. Appointments must include an elected city official representing the largest city in the participating county and proportional representation from other cities and unincorporated areas. To help assure coordination between local and regional transit plans, half of the appointments in each county must be elected officials who serve on the local transit agency's governing authority. Local elected officials include mayors, city council members, county executives, and county council members from within the Sound Transit District. Currently, the Sound Transit Board includes three members from Snohomish County, ten from King County, four from Pierce County, and the State Transportation Department secretary. Pierce County Executive John W. Ladenburg currently serves as Chair, and Connie Marshall, Bellevue Councilmember, serves as the Vice Chair.

As noted above, along with the RTID, ST is required by the 2006 legislation (ESHB 2871) to place its "Sound Transit 2" (ST2) plan on the ballot in November 2007. The conflicting geographic boundaries of RTID and ST present a significant challenge that the boards are attempting to reconcile. On July 13, 2006, the Sound Transit Board proposed three investment options for public discussion, including varying investments in light rail, regional buses, park-and-ride lots, HOV access lanes, transit centers and improved Sounder commuter train service. According to ST, "the chief difference between these is to what degree they extend the regional transit system - that is, 'how far do you want to go?' For new tax investments ranging from .3% to .5% sales tax (subject to future voter approval), light rail could be extended north to Northgate, Mountlake Terrace, or Lynnwood, south to Kent-Des Moines Road, Federal Way, or

the Port of Tacoma, and east to Bellevue-Overlake Hospital, Overlake Transit Center, or Redmond.”⁸

Though ST initially experienced a ballot failure and serious management problems in its first five years, in the last six years it has been well managed and successful. The Board of Directors of ST is the smallest governing board of the three regional entities, and it was appointed in a way that ensures representation but does not necessitate voting formulas such as those required for the RTID. The benefits of having cities represented on the board are easing the permitting process and providing ST allies in these jurisdictions as it works through its planning process. On the other hand, ST is also influenced by local officials who want to prioritize projects in their communities. There is an inherent conflict for the board members as a result of being elected by local voters and serving on a regional commission. The result can be that the local interests of local voters can hold greater sway over most officials than do regional forces. ST has made good progress because of the quality of its professional leadership. As with the RTID, investments in transportation are governed by the concept of sub area equity, based on five sub areas which substantially limits prioritization and complicates planning.

Viewed together, RTID and Sound Transit are configured to deal with parts of the transportation challenges within geographic components of the 4-county region. A more comprehensive integration of programs by all participants is essential for an effective regional system. The Commission finds that strict application of sub area equity is not consistent with a regional approach to prioritization for both RTID and ST. Even among the Commissioners, the notion of sub area equity has more than one meaning, with some of us thinking of fairness within a long-term time frame and others focused on a short term concept of equality. Hence, there may be a way to redefine it in way that does not interfere with regional prioritization. Regardless, we feel this is one subject which a new regional body must address early in its tenure.

⁸ See <http://www.soundtransit.org/x2281.xml>.

Washington State Transportation Commission (WSTC)

The WSTC's role has changed substantially in the past several years. Historically, the Secretary of Transportation reported to the WSTC and transportation projects were approved by, and at times initiated by, the WSTC. With recent legislation, the role of the WSTC has been reduced to an advisory role and it now appears to have played little or no role in prioritization. According to statute (RCW 47.01.071):

“The transportation commission shall have the following functions, powers, and duties: (1) To propose policies to be adopted by the Governor and the Legislature designed to assure the development and maintenance of a comprehensive and balanced statewide transportation system which will meet the needs of the people of this state for safe and efficient transportation services. Wherever appropriate the policies shall provide for the use of integrated, Intermodal transportation systems to implement the social, economic, and environmental policies, goals, and objectives of the people of the state, and especially to conserve nonrenewable natural resources including land and energy. ... (4) To prepare a comprehensive and balanced statewide transportation plan which shall be based on the transportation policy adopted by the governor and the legislature and applicable state and federal laws.”⁹

The WSTC has worked hard and recently produced an excellent study on tolling which provides valuable insights, although it does conclude that tolling should be regulated at the state level.¹⁰ It is the view of the RTC that any tolling decisions for the region should be made by a regional transportation authority, or by another new regional body. Last month, the WSTC in cooperation with WSDOT released its newly updated 2007-2026 Washington Transportation Plan (WTP), which “offers policy guidance for all jurisdictions statewide on matters related to the transportation system, ... provide[s] a data driven guide to transportation priorities ... [and] identif[ies] the top transportation investment priorities for the entire state in the areas of: (1) preservation; (2) safety; (3) Economic Vitality; (4) Mobility; and (5) Environment Quality and Health.”¹¹

That report provides outstanding data and insights on Washington State's needs, but faces the inherent conflict between the need to evenly distribute state funds across the state and the intense need for transportation in the central Puget Sound region. Because the state will provide a small share of the funds needed in the region, it will be incumbent on the region not

⁹ See [RCW 47.01.071](#).

¹⁰ See www.wstc.wa.gov/tolling

¹¹ Transmittal letter from WSTC Chairman Richard Ford to Governor Gregoire and members of the State Legislature, November 14, 2006.

the state to plan, prioritize and fund regional transportation projects. The change in the reporting responsibility for the Secretary appears to have de-emphasized the traditional role of the WSTC on transportation policy or prioritization in the region.

Washington State Department of Transportation (WSDOT)

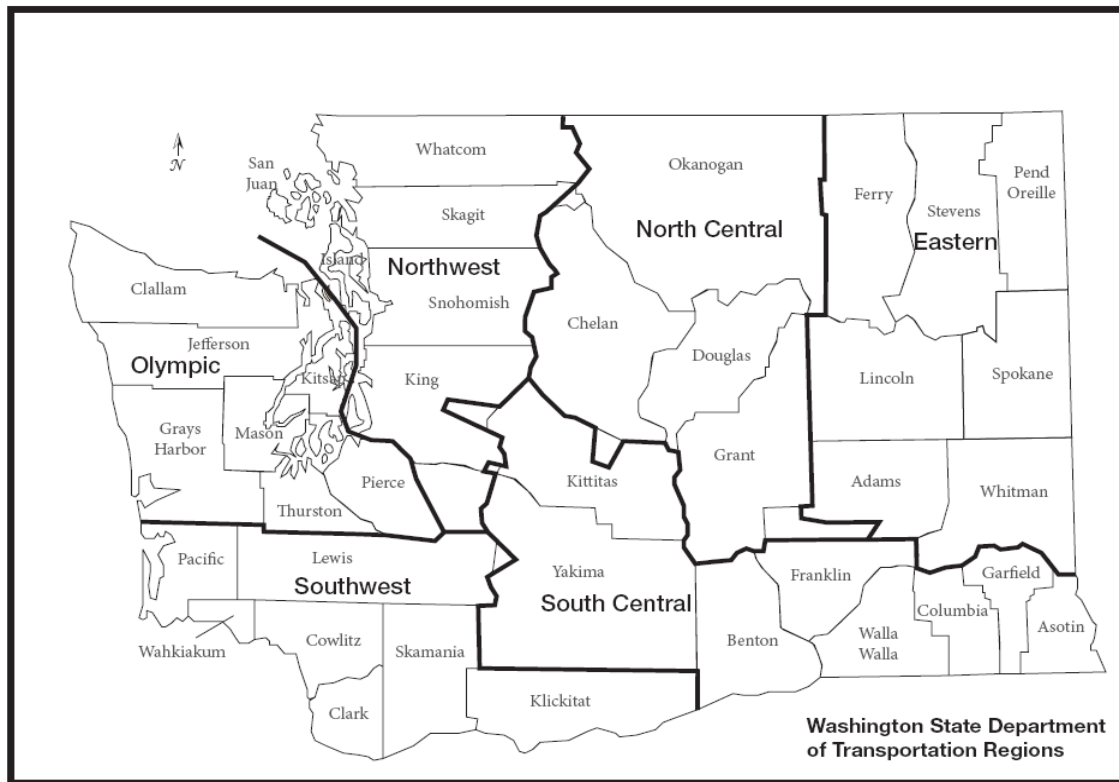
The mission of WSDOT is clearly described on the www.wsdot.wa.gov website: “to keep people and business moving by operating and improving the state’s transportation systems vital to our taxpayers and communities.”¹² As noted above, historically, the Secretary reported to the WSTC, but in 2002 as a part of reforms proposed by the Blue Ribbon Commission, responsibility for managing the Secretary of Transportation was shifted to the Governor. Doug MacDonald has served as Secretary since April 2001 and reports to Governor Gregoire. This structural change improves accountability to taxpayers who can now point to the Governor when questions arise over transportation.

WSDOT is the primary transportation agency for the state and is responsible for some planning, and all construction, operations and maintenance of all state roads and bridges. WSDOT works with the WSTC to regularly update the WTP described above, which is intended to be a blueprint for transportation programs and investment. The plan covers all modes of transportation in Washington: roadways, ferries, public transportation, aviation, freight rail, passenger rail, marine ports and navigation, bicycles and pedestrians.

WSDOT operates six regional offices whose administrative districts are illustrated in Figure 5-3 plus a regional corridors office in Seattle which is responsible for the Alaska Way Viaduct and SR 520 mega projects, as well as others. The four county central Puget Sound region is divided among the Olympic, Northwest, South Central and Urban corridors (not shown on map) regions.

¹² See <http://www.wsdot.wa.gov/accountability/mgmtprinciples.htm>

Figure 5-3



<http://www.wsdot.wa.gov>

Prioritization of projects by WSDOT is complicated and based on criteria which include travel time savings, reliability improvement, increases in capacity, increases in transit mode share, impact on traffic and congestion, number of people that would benefit and system continuity. Other projects are driven by the need for bridge replacement and safety improvement. The process is engineering driven with detailed demographic and construction analysis that produces statewide priorities. No single agency is presently able to emulate this type of prioritization for the region.

There is an implicit “sub area equity” system in state prioritization. Because tax revenues which support WSDOT are generated throughout the state and because project approval is controlled partly by the State Legislature through packages such as the Nickel package and TPA, project money is distributed evenly across the state insuring that the priorities of the entire state are funded. While understandable politically, this approach has made accumulating money to accomplish the mega-projects in the Puget Sound region difficult.

Recent Nickel and TPA projects have been completed on time and on budget. Accountability has improved dramatically and the WSDOT does a good job of communicating an enormous amount of information available on their website. Since WSDOT implemented accountability initiatives from the Blue Ribbon Commission Report in 2001, WSDOT has gained recognition for national leadership in accounting for project delivery results to the Legislature, citizens and the press. The WSDOT project delivery results for projects identified in the 2003 and 2005 legislative funding packages have also been strong. For example, as of September 30, 2006, WSDOT had completed 56 Nickel and TPA projects across the state. All but four of the projects finished construction on time or early and 93% of the projects met their budget marks for a total construction cost of approximately \$310 million. In addition 57 Nickel and TPA projects were in on-going construction at that time, with a total additional dollar value of almost \$960 million. These achievements in project delivery and accountability are encouraging and must be continued and even improved upon.

For new projects within the region according to Secretary MacDonald, “every single project is being selected by the RTID Planning Committee or the Sound Transit Board of Directors”. But Secretary MacDonald observed critically, “Many projects that make sense from a system perspective will miss the cut or have already been eliminated from consideration.”¹³ It is unclear how to reconcile the role of WSDOT, the roles of RTID and ST and with the role of state law and the Legislature. Secretary MacDonald noted the 18 different Washington state laws address, and in many cases, conflict in describing the criteria for prioritizing projects. As noted above, the Legislature is the decision maker for priorities. In the next section we address the role the state Legislature plays in allocating dollars and selecting projects.

WSDOT has the most comprehensive and largest transportation organization of any we examined with over 6500 employees. They serve as staff for every other body to some degree. They allocate money to all of the other 127 transportation agencies we examined. Their processes are thorough but are not transparent to other agencies that met with us. Fundamentally however, WSDOT is a state agency that has historically allocated dollars to the region based on the amount of state tax money generated within the region. It appears to the Commission that as a practical matter, WSDOT is making many of the most important prioritization decisions on transportation projects for the region. While there is no evidence that WSDOT is making the wrong decisions on projects, there is ample evidence that they are the

¹³ Slides presented by Secretary MacDonald, Kitsap Outreach meeting, September 15, 2006, p 15

wrong body to make those decisions. Absent regional decision making, continuation of the system promises to be neither highly efficient nor highly effective. With prospects of inadequate resources and the state providing a declining percentage of those resources, this situation will worsen.

Washington State Legislature

The Legislature, through the House and Senate Transportation Committees takes an active role in prioritizing transportation expenditures. The Legislature deserves substantial credit for its courageous commitment to increase funding. After the failure of R-51 in 2002, a bipartisan group passed the Nickel package and authorized the creation of RTID. Three years later, the Legislature made a further commitment by passing TPA. But, with those packages, responsibility for prioritizing projects within the region shifted to the State Legislature. Until approximately a decade ago, prioritizing state transportation projects was primarily the role of the WSTC and the WSDOT. In considering the R-51, Nickel and TPA packages, the Legislature's transportation committees became heavily involved in making project priority determinations. While the staff work is performed by WSDOT, those determinations were at times at variance with, or at least different than, the projects recommended by WSDOT.

- At the Legislature, committee staffs review the detailed and summary information in these kinds of evaluations.
- In 2003 and 2005 more than 400 individual projects were selected to receive funding from the Nickel and TPA state transportation revenue packages.
- Projects were selected into the (Nickel and TPA) program and the construction sequence was determined by the state Legislature.
- Project selections made in the political arena usually (but not always) have good alignment with high-value, high-benefit projects as demonstrated by analysis. This may reflect strong intuitive understanding by decision makers of the strengths and weaknesses of the projects, even if the evaluative material seems to be invisible in the process.¹⁴

In addition, in both SR99-AWV and SR520, legislation required the region to shoulder a significant share of the cost, and yet the decisions on the project are made at the state level. While this is necessitated by the absence of a regional authority, the state can, and we believe

¹⁴ Presentation by Secretary MacDonald, September 2006

should, create a regional authority rather than make the decision on the region's behalf. Secretary MacDonald noted in his presentation the process, as it stands, works in the following manner:

Senate Transportation Committee Chair Haugen, outgoing House Transportation Chair Murray and outgoing House Ranking Member Woods addressed our committee. Each of their presentations urged us to focus on the need for regional coordination and prioritization. They were concerned about the historic conflicts between ST and RTID and the delays on major projects such as the SR99-AWV because of parochial conflicts. They counseled us (along with the Governor) to be bold in our thinking and recommendations.

We conclude that the role that the Legislature plays in prioritizing transportation projects is related to the problem we are charged to address. In the last decade it appears that the Legislature has taken responsibility for prioritization for the region, such as the Nickel and TPA packages, as well as directing a decision making process for the SR99-AWV and SR520. This was a natural response to the erosion of popular confidence over prioritization and overall accountability. Ironically, though, this process change may have succeeded in the short-term while contributing to the problem in the long term. By simply assembling ad hoc packages, no matter how well prioritized, the Legislature is sending a message to the public in the region that there is no system outside of state statutory fiat to resolve regional priorities. Ultimately, the challenge is money. The State is only committed to fund \$12.5 billion of the \$134 billion in total Planned Investments in the region (Figures 4-4 and 4-5), and yet is making the most important decisions on prioritization. Though we understand the Legislature's desire to respond to an increasingly impatient electorate, and we acknowledge the Legislature's right to direct funding it provides, we feel it is not a substitute for a separate body making regional decisions.

The voters

One of the issues affecting the funding of a comprehensive system of transportation is voter willingness to pay for it. When asked to do so, two important and related recurring questions arise:

- “Who is in charge?”
- “What am I getting for my money?”

*"I'm going to vote against R-51, because I think all my money will go for **a bunch of pencil pushers in some office and we'll probably get about two bits on a dollar**, as far as what they'll finally do with it as far as transportation."* — letter to the Editor on R-51, Seattle P-I, 10/02

When these two questions are answered well, voters have supported major transportation projects, but if they are not, voters will turn packages down. From the refusal to pass Forward Thrust bonds in 1970, to the turning down of the first RTA proposal, to the defeat of Referendum 51, citizens have shown their reluctance to pay for transportation unless they feel that

government is spending their tax dollars wisely. The comment quoted above is illustrative of the skepticism the public has historically on this issue.

Between 1999 and 2002, three critical votes demonstrated this critical pattern of refusing support for important tax sources for funding transportation projects. These included Initiatives 695 and 776, which reduced the MVET, and Referendum 51 in which voters declined to increase the gas tax.¹⁵ The last vote on the Seattle Monorail was an example of this as well. The project initially received broad public support, despite opposition from city officials and civic leaders. But once it became clear that the project was poorly led and that costs were not perceived as providing good public value, the voters pulled the plug. King County in their submission to the Commission provided an excellent chart summarizing voter response to transportation packages over the last eight years in which they demonstrated that ten of 16 proposed packages had been approved.¹⁶

Anti-tax sentiment plays a role: The voting patterns for several years reflected a simple anti-tax sentiment. Anti-tax activists played an important role in defeating transportation funding plans. “Washington is the second-highest-taxed state in the nation,” asserted Tim Eyman, in

¹⁵ Comments to this Commission by King County dated December 1, 2006 included an appendix illustrating the failure of six of 16 transportation votes in the past decade

¹⁶ Attachment 1 to letter from Harold Taniguchi to RTC dated December 1, 2006

the heat of the battle to defeat R-51 and pass I-776.¹⁷ Eyman, who described himself as the champion of the "average taxpayer" said he promoted Initiative 776 to "help politicians keep their promises." The Washington Policy Center agreed at the time, with an attack on "big government." Three advantages they saw to the passage of Initiative 776 were that it would:

- Restrain the Overall Growth of Government Spending.
- Restrain the Growth of the Government Workforce.
- Restrain the Growth in the Number of County and City Employees.¹⁸

This story resonated with voters, according to the Seattle Times post-mortem on R-51, "where polls indicated that the main issue for voters opposed to Referendum 51, the transportation package was their **lack of trust in the government**."¹⁹

In another example, serious, well publicized operational problems at Sound Transit in the late 1990's gave Initiative 776 proponents another argument against transportation that proved popular, cut funding for Sound Transit, by attacking it as a "reckless, rogue agency," to 'send a message'.²⁰ Since Sound Transit did not stick to its original design, it did not deserve further voter support, according to Citizens for Effective Transportation Alternatives, a group of disaffected transit supporters. They wanted Sound Transit shut down and the money used for "a range of high quality services which could include: frequent, all day, comfortable, express bus service; monorail; vanpools; and other innovative, cost effective, safe, community friendly transportation options."²¹

Voters also often express a genuine puzzlement over who was in charge. Is it WSDOT? The Legislature? Local transportation agencies? The Washington Roundtable, in describing public opinion, notes,

"Surveys tell us that the public, when asked about transportation, perceives a leadership vacuum. The lack of strong leadership and accountability may be a byproduct of the "freeway wars" of the 1980s. Or it may be the result of how we changed the way we govern transportation. Or it may be that motorists are simply

¹⁷ Seattle P-I, "Yes, I-776 says No to Higher Taxes," 10/11/2002

¹⁸ Washington Policy Center, "25 Commonsense Ways to Implement I-695", 12/1999

¹⁹ Seattle Times, "State not alone in transportation nix", 12/09/2002

²⁰ Seattle P-I, "Talmadge and Eyman go at it in fiery I-776 debate," 10/18/2002

²¹ CETA website, <http://www.effective transportation.org/what.html>

unhappy as they experience more and more congestion in their daily commutes and see no solutions in sight.”²²

Recently, management and accountability improvements at WSDOT (and Sound Transit) have resulted in improved voter confidence resulting in approval of a major transportation vote which raises taxes to pay for transportation improvements. The defeat of Initiative 912 in November 2005 demonstrated that a campaign focused on results and accountability would succeed with the voters. The backers of Initiative 912 sought to repeal the 9½¢ gas tax increase approved in the 2005 Legislative session. The “NO on 912” campaign argued that projects approved in the 2003 Nickel Package were being built on time and on budget. The message appears to be that if public thinks they are getting their money’s worth; they are willing to put up the funding. Voters across Washington supported the package and agreed that the \$57 a year the average driver would pay was justified by improved transportation infrastructure.²³

The Commission believes that voters have become discriminating, voting in favor of transportation by defeating I-912 at the same time they voted to cancel the Monorail project. Just last month, voters supported King County’s 2007 “Transit Now” package as well as Seattle’s 2007 transportation levy, but voted against Tacoma’s roads proposal. This is the new reality of transportation funding: very smart and discriminating voters that will thoroughly scrutinize proposals despite widespread frustration with congestion, inadequate capacity and deteriorating older transportation facilities.

However, voter support is fragile, and trust must be constantly earned and will be regularly tested. Voters will continue to ask “Who is in charge” and “What am I getting for my money”. Motorists will judge success based on reduced congestion and businesses will judge based on transportation costs and efficiency. Our deteriorating infrastructure is a source of great concern and long deferred projects impose a disproportionate burden on transportation agencies and this generation of taxpayers. The 63% gas tax increases from the Nickel and TPA packages in the tax in the past four years creates an expectation that things will improve. Visible progress is essential to sustain recent voter support. Recent and highly publicized uncertainty over the SR99-AWV and the SR520 Bridge can easily undermine voter support for the full range of transportation activities. The underlying issue of lack of prioritization highlights that the answer to the question of who is in charge remains a legitimate question which our Commission had a

²² Washington State Business Roundtable, “Governing Transportation,” 10/1999

²³ Seattle P-I, “Statewide Initiatives: Voters’ Wise Call”, 11/10/2005

difficult time answering. The Commission believes that creation of a unified governance system we have proposed would assure voters that a single body is responsible and accountable for transportation planning, prioritization and funding in the region.

Conclusions

Today there are too many cooks in the transportation priorities kitchen. While several agencies have managed to prioritize their transportation needs systemically, the very nature of the dispersed decision-making authority stymies regional decision making. Most local officials, having learned to navigate this Byzantine process and, fearful of what changes to the system might portend, asked us to “do no harm.” Asserting that their jurisdiction or agency often gets its needs met, they cautioned us to not recommend fundamental changes to governance. Their hard work illustrates how the present system relies on talented state, regional and local officials working together to make decisions. But local officials can only improve congestion in their particular geographic municipality. They are not structured to improve an entire regional route. Moreover, there is not enough money available to fund planned investments, and, as Co-Chair Rice asked at one of our public hearings, “There are many good projects, but who is going to **say no?**” Without one decision making body having the responsibility for the prioritization for regional needs, we feel the system is inherently ineffective. The absence of a single decision-making authority with clear regional interests, mission and objectives has at times obscured transparency, accountability and voter confidence.

None of the five primary agencies is designed or empowered to serve as the regional governing and funding body.

- PSRC is an association of local officials. It appears to us that while the staff and board members work diligently, accumulate projects and add them to the Destination 2030 Plan, the dictates of their charter rob them of the ability to evaluate, discriminate or prioritize projects.
- RTID and ST have distinctly modal missions and are governed by federated boards of local officials. While their governing boards are more manageable than PSRC, and the RTID Planning Committee and ST Board do prioritize projects, both organizations are handcuffed by their federated structure of board members elected based on broader issues and by modal and sub-regional equity requirements that can make it difficult to address regional prioritization.

- WSDOT is the staff to every group, but WSDOT is fundamentally a state—not a regional—agency. WSDOT operational boundaries do not conform to the Puget Sound region as defined by any of the regional agencies.
- The Legislature has taken a leadership role on transportation in the Puget Sound in part because of the vacuum of decision-making leadership in the region. While legislators are energetic, their statewide perspective means that they cannot make decisions on projects within the region based solely on the interests of the region.

As is discussed in Chapter 4, over the next 24 years the transportation needs of the region are going to be paid for primarily by revenues from users and taxes paid by residents of the Puget Sound region. As the percentage of costs paid by the state in motor vehicle tax remittances shrink we believe that the power and influence that the Washington State Legislature, the Washington State Transportation Commission and WSDOT should diminish, with more decision-making and flexibility granted to regional leaders. In their present form, neither PSRC, RTID nor ST can perform that role, thus necessitating the creation of a new regional body. We will address the relationship of this body to existing agencies further in Chapter 9.

Chapter 6

Goals for Regional Transportation Governance

Introduction

What should be the goals and success criteria for transportation governance system in the central Puget Sound region? There was a consensus among the Commissioners in favor of a transportation regional planning and funding body. A new regional governance system must have a clear mission and clear goals, and an organizational structure that enables it to achieve those goals. The Commissioners articulated the following ten elements of a vision for regional governance, which represent criteria against which its success can be judged.

Create and support a clear “regional” vision: The Puget Sound as a whole has grown past the point at which individual communities can solve interrelated problems. There is no consensus or even preponderant view among present transportation agencies as to what “regional” means. It might signify a governmental boundary – yet there is no agreement upon the boundary. The legislation that creates the regional governing body should articulate a clear and concise definition of the mission and role of the entity in which it articulates objectives for the organization as well as boundaries for the region. The leaders of the new body need to then define and then promote a regional vision that is clear and understandable to the average citizen, and describe a transportation plan that makes sense and is affordable to regional voters.

Create and support a systemic vision of transportation: Current governance systems manage and operate city, county and regional functional agencies that are components of the regional transportation network. These agencies are structured to benefit their constituents but in doing so may not meet broader regional transportation needs. Transportation infrastructure decision-making must be focused on the entire network or system rather than on individual projects. Any solution should be designed to encourage efficient use of the entire system of roads and transit by encouraging time shifting and reducing peak period demand for critical bottleneck components of the system. The leaders need to adhere to a systemic approach maximizing long term total system efficiency.

Align land use and economic development objectives with transportation planning:

Effective transportation planning demands concrete linkage between planning goals and land use and economic development. Inefficient land use contributes to sprawl, which in turn forces long commutes, and needless congestion. That, in turn, can discourage companies from making economic investments, which lowers our region's productivity and the quality of life for us all. We are fortunate to have a series of planning frameworks brought to us through the hard work of the Washington State Legislature, Growth Management Act (GMA), WSDOT and the Puget Sound Regional Council including Vision 2020, Destination 2030, and their updates. Any new governing body need not reinvent the wheel – many of the goals and suggestions put forth in these documents are as relevant today as the day they were written. But the new entity should develop a GMA concurrency standard, integrate divergent policies and procedures, investigate and employ best practices, resolve conflicts and eliminate uncoordinated policies and outdated rules.

Prioritize necessary regional projects in a timely manner: The region's need for incremental transportation investment exceeds its ability to fund all transportation projects. The new governing body must prioritize regional investments in critical corridors that reduce congestion and improve safety and travel time, increase freight capacity, reduce person and trip delay, and improve air quality. The regional body should unify the several varied prioritization systems among the State Legislature, WSDOT, ST, RTID, PSRC, county and local agencies as well as special groups such as ports and tribes. At the same time, these priorities must represent internal geographic interests fairly, and prevent balkanization taking place through competition for funding sources.

Encourage multi-modal solutions for congestion: Multi-modal solutions integrate the planning and operation of roads, transit, ferry, bicycle and pedestrian systems, freight mobility, and traffic management as part of a single seamless network. The new governing body should clearly articulate this direction, and understand that increasingly, we all travel through a variety of modes of travel.

Support local agencies and promote partnerships between jurisdictions: One of the most consistent messages we heard while gathering testimony from local officials and transit agencies was “Do no harm”. Years of effort have gone into creating multi-jurisdictional and inter-agency partnerships that were created to navigate the shifting availability and statutory

requirements of funding from both Federal and State programs. We recognize that any regional body needs to build upon existing state investments and we heard loud and clear that another bureaucracy was not needed to make the process of transportation funding even more complex. Local transportation departments and transit agencies need assistance in navigating the application and permitting process that is at the heart of the relationship between Federal funding and local transportation authorities. Any new body should seek ways to support local road and transit interests in the region to increase State and Federal funding amounts. While a regional approach is required, it is essential that any new agency be responsive and attentive to local needs and interests.

Develop long-term, sustainable transportation funding strategy, which will keep road and transit packages affordable:¹ The Blue Ribbon Commission on Transportation in addressing transportation funding needs in our state advocated that we

“Adopt a package of new revenues to fund a comprehensive multi-modal set of investments, which, taken together with the recommended efficiency measures and reforms, will ensure a 20-year program of preserving, optimizing, and expanding the state’s transportation system.”²

We agree, and would add that any new governing body should be focused on ensuring that investments are cost effective. They should limit administrative costs, improve funding delivery systems, and focus on cash flow over at least a twenty year period that major planning documents cover.³ The body should examine and have the ability to oversee planning and prioritization done at the local or county level if activities are necessary elements in a regional plan. Funding should be also be balanced to address both city and county needs in addition to the state system. We encourage the Legislature to develop new revenue sources for cities and counties to invest in local road and transit transportation infrastructure. We are optimistic that such funding can be found in new techniques that address the issue of peak hour commute traffic, such as universal dynamic tolling, congestion pricing systems and HOT lanes being experimented with internationally and investigated elsewhere in the United States.

Improve perceived and actual accountability to increase funding: The voters have shown us that accountability in transportation planning and delivery system is vital to ensure sustained

¹ Washington Roundtable, “Who’s in Charge; How Do We Achieve Results?”

²The Blue Ribbon Commission on Transportation, “Final Recommendations to the Governor and Legislature,” Nov. 29, 2000

³ RTID, “Blueprint for Progress,” Principles section

funding. A new governing body must continue to improve project delivery systems, and develop a monitoring and review process for ensuring that plan implementation stays on course. It must adopt clear transportation performance benchmarks for government accountability at the state, city, county, and transit district levels. Such benchmarks are necessary to achieve construction and project delivery efficiencies, as construction costs are currently rising sharply. Progress has been made with voters on credibility as is discussed in Chapter 5, but while WSDOT has an extensive accountability programs in place, many of the public are not aware of them. Any new regional entity must raise money based on voter approval and that depends on taking every possible step to build credibility and demonstrate accountability. Responsible agency behavior must be highlighted when present, so that voters will continue to support funding. Although permitting systems are in place to protect our environment and provide guidance for wise land use, it can be unnecessarily difficult to navigate these extensive sets of requirements. This new authority must find ways to streamline permitting systems for future transportation projects to avoid or minimize delays that erode perceived accountability.

Continue to develop and implement advances in transportation system technology to reduce congestion and traffic bottlenecks and more efficiently utilize the transportation system: The new agency needs to continue work on systems that use Transportation Demand Management (TDM) and evaluate and we believe implement a regional system of tolls for HOT (High Occupancy Toll) lanes, parking fees or taxes and other means of drawing commuter attention to when and how often they use crowded highways and arterials.

The entity should consider techniques and approaches by which it can reduce the time and cost of construction of transportation projects whether or not it is engaged directly in construction. We hope that if a regional body involves itself in actual construction of new infrastructure, it will examine processes like the design-build process and its variations to achieve the goals of time-savings and avoidance of costly change orders.

Focus on Freight System: This new entity should have the authority to work with freight mobility project partnerships in the central Puget Sound region, such as optimizing the FAST Corridor to be responsive to the needs of shippers, customers, suppliers and ports. These systems are critical to the region's economy and require regional focus.

Conclusion

The new regional commission we recommend in Chapter 9 is intended to be capable of implementing the ten goals identified in this chapter. Those goals should be codified in a statutory mandate to the new commission and implemented through a mission, objectives and plan developed by that commission.

Chapter 7

Lessons from Other Regions

Part of the Commission's work was to examine examples of regional governance in other regions. We strove to find places that had a story to tell that would be relevant to our area. We attempted to find regions with broad similarities to ours in population and size, as well as similar transportation challenges. Although staff members looked at many regions, the Commission settled on two domestic and one international region facing similar issues. The Portland region utilizes a unique elected regional governance structure called **Metro**, which oversees land use and transportation planning. In Phoenix, a voluntary coalition of governments formed a joint transportation agency known as the **Valley Metro RPTA** to oversee the expansion of a regional bus system as well as the construction of a light rail system. Our international example was Vancouver, B.C., where an ambitious regional authority called the Greater Vancouver Transportation Authority, or **TransLink**, oversees planning for a multimodal system that includes light and commuter rail, buses, and ferries, as well as roads and bridges. In each case, we researched the market, received a report from our staff and heard a presentation from an executive from the agency. We also received staff presentations on San Diego.

These examples represented a range of decision making approaches on leadership selection, scope of work, and financial authority. We believed that examining several examples would provide Commissioners with instructive examples of regional governance. Each market has unique circumstances that enable their solutions to work, but that no regional governance model can simply be “transplanted” to our region, and then, with a few modifications, tailored to our circumstances. Different topography, governmental systems and traditions, historic modal development, and financial constraints, have all shaped individual regions attempts at transportation governance.

Metro and JPACT

Location: Portland, Oregon, and parts of Clackamas, Multnomah, and Washington Counties.

Region Size: 462 sq. miles, 86% inside the Urban Growth Boundary (392 sq. miles)

Population: 1.3 million

Governance: Regional Council, directly elected by district, chief executive chosen at large.

Federal Responsibility: Serves as Metropolitan Planning Organization (MPO) for the region and allocates federal transportation funds in conjunction with the Joint Policy Advisory Committee on Transportation (JPACT), a public/private body.

Scope: Land use and transportation planning. Provides regional parks, solid waste treatment management, recreation services and exposition facilities.

Transportation Planning: Involves directing Federal funding to roadway projects and planning transit services, including light rail system provided by Tri-Met. Metro is lead agency in developing and approving high-priority projects from Regional Transportation Plan, containing projects nominated from local jurisdictions.

Level of Authority: Participation in Metro not voluntary. Strong authority over member jurisdictions in its approval power over local land use and transportation plans.

Financing: Revenues: \$185 million. Sources: Property taxes, vehicle registration fees, excise taxes on improvements, and periodic bond issues.

The Portland Region: Metro and JPACT

What we share with this region:

1. Similar geography and climate.
2. A similar environmental orientation.
3. A former resource-based economy, converting to a service economy.
4. A regional planning body designated as MPO.
5. Growth management tools, including an Urban Growth Boundary.
6. A formal regional transportation plan.
7. Difficulty in funding future transportation projects.
8. A similar voter approval process to fund some projects.

How we differ:

1. Portland made a very early transition to regional governance.
2. Portland built its first rail system much earlier.
3. The Portland area is 1/3 our size and has a smaller number of urban centers.
4. Portland has established formal cooperation with a public private partnership. (JPACT)
5. Portland has less local autonomy in planning.
6. Portland has an income tax, and no B&O tax.

Phoenix/Maricopa County, Arizona: Valley Metro RPTA

What we share with this region:

1. An ambitious light rail program in the construction phase.
2. A planning body with limited authority.
3. A federated planning body (similar to the PSRC).
4. A multimodal system, with park and rides, vanpools and buses.
5. A rapidly growing region and regional economy.

How we differ:

1. Maricopa is similar in population, but more densely populated than Puget Sound.
2. We already have a transportation plan, (Destination 2030).
3. RTPA operates in a single large county and manages a single mode.
4. Phoenix established formal cooperation with a public private partnership. (TPC)
5. Phoenix has dedicated regional funding.
6. A relatively weak voluntary authority, susceptible to stakeholders focusing on local issues, rather than regional concerns.

Valley Metro RPTA

Location: Maricopa County, AZ.

Region Size: Region served is 266 sq. miles

Population: 3.1 million in county, 1.7million in service area.

Governance: RPTA is overseen by a federated board of elected officials. Valley Metro membership is voluntary, and open to all municipalities in Maricopa County and the county government, represented on the board by Mayors or Council members. There is one Maricopa County supervisor and member municipalities self-selected on the board.

Federal Responsibility: RPTA has a close relationship with the Transportation Policy Committee (TPC) of the Maricopa Association of Governments (MAG), the MPO in overall charge of developing the Regional Transportation Plan. The TPC is a 22-member committee composed of representatives from cities and towns throughout region, business leaders, Arizona DOT, Maricopa County, the freight industry, transit providers and the Citizens Transportation Oversight Committee.

Scope: Operates a bus fleet, regional rideshare vanpools and dial-a-ride vehicles and 43 park and rides, and three transit centers. Light rail service and Bus Rapid Transit (BRT) is under construction and expected to begin operation in 2008.

Transportation Planning: In addition to operating the transit service, RPTA is also required to participate in regional transit planning, which culminates in the Regional Transportation Plan (RTP). It is responsible for implementing transit service mandated by the plan. The RTP was funded when voters passed Proposition 400 in November of 2004, which supplies a half-cent sales tax that helps fund projects in the RTP. Valley transit service upgrades will be made over the course of the next 20 years based on funding availability, and project timelines. In addition, the authority is responsible for transit public information, and marketing for both the Maricopa County Trip Reduction Program and the Clean Air Campaign

Financing: Revenues: \$180 million. Sources: Sales taxes, county funding, federal and state grants, As members of the Valley Metro, each agency must spend Local Transportation Funds (LTAF) revenues from the Arizona Powerball Lottery on public transportation.

The Vancouver, BC Region: Translink and the GVRD

GVTA/Translink

Location: Vancouver, B.C.

Region Size: 1,110 sq. miles, 26% urbanized.

Population: 2.1 million people

Governance: 15 member board of directors which appoints a Chief Executive Officer; Directors appointed by the GVRD must be mayors or members of the GVRD board. Representation on the TransLink board is based on the following sub-groups within the region:

- City of Vancouver (3 positions)
- North Shore (1 position)
- North East Sector (3 positions)
- South of Fraser (4 positions)

One additional position is appointed by the GVRD

Federal Responsibility: Canadian equivalent of MPO, RTPO, but chartered by GVRD, Greater Vancouver Regional District, which must approve the Translink strategic transportation plan

Scope:

- In conjunction with the municipalities, TransLink manages the Major Road Network (MRN), which consists of a series of regional roads, a ferry service and two bridges.
- Administer service contracts with subsidiary contractors, including bus, transit, shuttles,
- Manage capital projects
- Provide financial management

Transportation Planning:

- Transportation planning and funding;
- Operation of the regional transportation system, which includes the bus transportation system, rail transportation system, custom transit services, the Albion ferry service; and
- Funding cycling facilities and the Major Road Network; and
- Transportation demand management
- Air Care program (air quality)

Financing: \$884 million: Local revenue sources plus dedicated sources (i.e. gas tax, sales tax on paid parking and property tax) The major sources of funding for TransLink are transit fares and Provincial Gas Tax Fund (\$307 million) and Federal gas tax revenue (\$74 million) with additional funding from property taxes, Public Transit Capital Trust (\$119 million), Hydro levy, and advertising revenues.

What we share with this region:

1. Similar geography and climate.
2. A similar environmental orientation.
3. A formal regional transportation plan.
4. Vancouver is examining new alternatives for transportation governance.

How we differ:

1. GVTA has a very strong authority over local government by the Legislature.
2. GVTA is a transportation planning agency with legal authority.
3. A transportation planning agency with dedicated revenue authority.
4. \$4 billion road and transit expansion plan, supported by both business and labor stakeholders. Largest road investor (\$220 million plus \$1 billion in separate fund).
5. GVTA has a 74% public approval rating.
6. 10→12% transit market share (13% by 2007), and ridership up 25% - 40%.
7. Separate bodies for land use and transportation planning.
8. GVTA has much higher cost recovery through fares.

Examining these other regions gave the Commission a better perspective on our challenges, and overcame any temptation to regard some other region as a template to draw from. We concluded that transportation and transportation governance are issues in many communities, because of broad, common economic and demographic trends. All regions we examined face issues including:

- How to assure sufficient reliable funding for a constantly growing infrastructure.
- How to construct an authority that provides a balance between necessary federal and state oversight and the need for regional autonomy.
- How to build a systemic regional orientation.
- How to integrate land use and transportation planning.
- What components of transportation to manage directly and which to sub-contract.
- How to productively involve the private sector, while maintaining public authority.

We are grateful for the presenters from these three regions for sharing their triumphs and challenges with us as we consider these issues as they play out in our region.

Chapter 8

Financing Strategy Recommendations

The region has a total planned investment in transportation of \$134.5 billion, as we addressed in Chapter 4. Yet current committed sources of revenue total only \$72 billion, leaving a \$62 billion shortfall. Both transit and roads projects are facing significant shortfalls. There is no single solution to this problem. The shortfall can only be addressed ultimately by a combination of techniques including cost cutting, improved prioritization, new and increased revenue from taxes and user charges, and the use of demand management tools including tolls, parking fees and faring to limit or shift demand to more efficiently use of existing infrastructure. This chapter focuses primarily on new revenue sources and the role tolling can play in managing transportation demand. In the chapter following this, we recommend the creation of a new regional commission that can effectively prioritize for the region.

We agree with prior recommendations such as those in the Blue Ribbon Commission on trimming administrative costs, using managed competition and streamlining permitting.¹ While we believe that even the aggressive cost-cutting measures will only have a limited affect, we do recommend there be further study on the efficiency implications of the presently-fragmented transportation system, some of which are beyond the scope of the proposed PSRTC. This work could be done by an expert panel or the State Auditor.

The new regional commission must have financing authority to implement accountability measures that will create long term transportation stability. A new regional transportation agency must have the financing authority to generate revenue from a broad range of taxes and user fees. No single revenue mechanism will be sufficient to close the gap on the funding shortfall, and therefore any new transportation authority will require the ability to examine all possibilities and tap numerous revenue sources. A number of taxes and user fees are already levied by the state and by county, municipal, transit and regional entities. Some are used exclusively for transportation, while others go to other general purpose services. (See list of projects in Appendix 5-2) While revenues are currently pledged to outstanding debt, over time those sources should be freed and available to finance new capital needs in the region.

¹ Blue Ribbon Commission on Transportation, Recommendations 12-17

However, in our research we have found that even tapping the currently available revenue mechanisms we will still face a significant shortfall. It is imperative that the Legislature authorize the new commission to pursue innovative funding mechanisms and broaden the sources available to the proposed new regional transportation governing body to meet revenue and policy goals.

Direct user fees should be available to the new regional transportation governing authority. User fees generate revenue because of their strong nexus with the service provided and their ability to generate needed revenue and reduce demand for the system. Direct user fees, including tolls and transit fares, may suppress or shift peak period demand and redirect highway usage during periods of congestion. Our state is behind other regions in the use of tolls.

A new agency should have the authority to examine other possible new sources including:

- Engaging the private sector to undertake the development and operation of some parts of the system.
- Creating a public transportation utility where funding is structured similar to other public utility enterprise fund.
- Establishing street utility or some other type of transportation impact fees.
- Assessing additional taxes on parking or employer-based taxes.

Tax Revenues

Historically, State taxes to support transportation systems have been related to vehicle use similar to user fees – Motor Vehicle Fuels (MVFT) and Motor Vehicle Excise (MVET) – which link the use, impact and value of vehicles to the level of taxation (See history of taxes in the appendix 4-1). These taxes are collected by the State and are in part remitted to the counties and municipalities within the region in approximately the same ratio as they are collected. Those sources are projected by PSRC to total of \$12.5 billion between 2006 and 2030. For reasons described in Chapter 9, **we recommend that if a Puget Sound Regional Transportation Commission (PSRTC) is established, the Legislature should allocate all money generated in the region from state transportation tax sources for regional projects – a “block grant” approach. We specifically recommend that money collected within the region from MVFT and MVET taxes be prioritized, managed and allocated by the PSRTC.**

The State constitutional prohibition (18th Amendment) on the use of gas taxes to support transit has forced a segregated approach to transit funding. This approach, coupled with increased use of transit has created a transit funding base that relies heavily on sales taxes. Puget Sound residents pay an average total of approximately 1.05% in sales taxes to support transit, with the rate varying from 0.4 to 1.3% depending on location. Transit taxes are projected to produce approximately \$30 billion in revenue between 2006 and 2030. In addition, though agencies like King County Metro and Everett Transit receive some funding from their respective county and city governments, much of their funding comes from dedicated sales taxes.

Generating revenue for expanded capacity will require multiple tax sources. No single mechanism can fairly or adequately address future funding needs. RTID and ST governing bodies possess the authority, subject to voter approval, to impose new taxes already authorized by the Legislature. Local transit agencies have an average unused capacity of approximately .15% of their .9% state authorized sales tax which could increase local sales tax revenues. But these authorized-but-unused sources represent a small fraction of the needed funding vital for transit capital and operating needs. **Nevertheless, the Commission concluded and recommends that the new PSRTC should be granted authority to act as gatekeeper for any regional transportation tax or bond proposal going to the ballot, including any proposal above a threshold size.**

Any tax increase will be by nature controversial. Nonetheless, a new regional governing authority should consider alternatives for generating sufficient revenue to support our deteriorating infrastructure. Our research, including our focus group study, shows a great degree of receptivity for a balanced approach, and one that emphasizes revenue generation with a strong connection to the service provided. We believe that if voters feel that they know who is in charge and what they are getting for their money, they will support some increased level of taxes.

With the help of the Senate Transportation and Ways and Means staffs, the RTC examined possible additional sources of funding. We examined four taxing sources, including taxes on property, sales, a local fuel tax (which could also be characterized as a sales tax on gasoline), and the motor vehicle excise tax.

Based in large part on Senator McDonald's research and extensive experience, we made judgments as to the maximum rate of the four main tax categories. We made the following assumptions for the maximum possible level for each of the taxing sources:

- Property tax: Increasing the property tax by .01% (\$1 per \$1,000 value). This would increase the property tax for the average home by approximately \$350 per year.
- Sales Tax: Raising sales taxes in all jurisdictions to a total of 10%, based on Senator McDonald's view that that was the maximum acceptable to the voters.
- Motor vehicle excise tax (MVET). Initiative 695 led to the elimination of the MVET statewide. The Commission examined restoring the tax to the pre-Initiative 695 rate levels of approximately 2.2% on the value of the vehicle, recognizing (as the Legislature has already) that any new MVET must to be structured to fairly reflect the actual value of the vehicle.
- Local fuel tax or sales tax on fuel. Historically, motor vehicles fuels are dedicated taxes and gas tax are exempt from sales taxes. We considered a 10% surcharge per gallon on motor vehicle fuels, which is in essence imposing a sales tax on motor vehicles fuel.

Figure 8-1	
Summary of potential incremental tax revenues	
Source	NPV in \$ millions
Property Tax	\$ 6,800
Sales tax	\$ 12,647
Motor vehicle excise tax	\$ 6,849
Local Option Fuel Tax	\$ 1,069
Total	\$ 27,365
Property tax, sales tax, local option fuel tax for 4 counties, MVET data is based on Sound Transit's existing boundaries	
Figures represent NPV based on 25 year term and 6% discount rate only and have not been applied to any expenditure curve	

Figure 8-1 estimates the revenue generated from those hypothetical tax sources within the four county region. Although this analysis shows a theoretical maximum revenue based on our assumptions, we do not believe it is possible to impose all of these tax increases.

The net present value was calculated based a 25-year revenue stream discounted at a rate of 6% -- a rate the Senate staff believed was reasonable. At these assumption levels, the total revenue was approximately \$27.4 billion in 2006 dollars. Increasing the sales tax produced the most revenue; though it is less directly related to transportation. The local fuel tax plus the MVET increase are more

directly related to transportation, but they only generate \$7.8 billion over 25 years – the local option fuel tax is particularly anemic – just \$1.1 billion over the period.

The current tax system was imposed incrementally over time as individual agencies imposed individual taxes to support their elements of the system. For example, Everett residents support Everett Transit, Sound Transit, the City of Everett Department of Transportation, Snohomish County's Department of Transportation and WSDOT through the gas tax and a local MVET (for Sound Transit). Although ideally combining the revenue from earmarked transportation taxes, including the transit taxes, might be desirable, people pay taxes to local agencies to support local services. This makes it extremely difficult to find a way for such funds to be legally and constitutionally combined. If an approach could be structured so as not to impair the rights of owners of outstanding bonds that pledge existing taxes, such an arrangement might be sustainable. There is a substantial need, but the precise amount will be determined over time based in part on the success of the new PSRTC in cutting costs, prioritizing and reducing demand. Yet there is clearly a need for new revenue. **As a result, we recommend that the new PSRTC be granted broad authority to levy regional taxes sufficient to meet regional transportation needs, including regional property, sales local option fuel taxes and MVET.**

User Fees

The Commission examined usage charges including increasing transit fares and the greater use of tolling. We believe that parking fees and taxes should be examined further as a possible source of revenue but were unable to obtain useful data in estimating the total potential revenue for the region. Parking fees are an important factor affecting the level of transit usage and thus an important tool in Transportation Demand Management irrespective of their revenue potential.

Fare Box Fares are a significant source of funding today and are projected to deliver \$5.7 billion between 2006 and 2030 toward Destination 2030 projects. We looked at the possibility of increasing fares by different increments.

Figure 8-2			
Rate Change	Ridership* (000)	Percent Repression	Revenue in millions
Fare box at \$2	109,830	18.5%	\$ 3,537
Fare box at \$3	93,284	30.7%	\$ 4,399
Fare box at \$4	82,532	38.7%	\$ 5,180
Source: Senate staff and 2005 Washington State summary of Public Transportation. Elasticity based on American Public Transportation Association * Based on present estimated baseline ridership of 134,700 000			

Fare box increases on transit are controversial because some users are unable to afford the increase. We recognize this and believe that particularly with available technologies for fare cards, discounts can be made available to those who lack the ability to pay. Today, Federal law mandates discounts to senior citizens that are borne by the transit agencies, while low income discounts are made through social services agencies who pay full fare prices to transit agencies and then discount them to individuals in need. The present average fare per trip across the six transit regions in the system is \$1.26. Demand is responsive to fare increases, but demand reductions are not necessarily proportional to the price increase, thus total revenue still increases. Figure 8-2 demonstrates revenue levels and repression at each price increase level.

Tolls The Commission is very interested in tolling on major highways in the region. We examined the core area charge system imposed in London, and the highway charges system in Stockholm, Sweden, to reduce congestion in downtown areas. We also reviewed the WSTC's excellent study on tolling that was released this past summer and heard a presentation on a dynamic tolling. Tolling appears to be the best single solution for generating revenue and potentially reducing the amount that will need to be expended. We could not quantify the potential expenditure reductions. To quantify the revenue generating capacity of tolling, we reviewed a study performed by Parson Brinckerhoff for the state Senate Transportation committee staff.

That study (see Figure 8-3), projected revenue from imposing a two tier rate toll on all seven state highways in the region (SR-99, SR-509, I-5, I-405, SR-167, I-90 and SR-520). Tolling repression (reduction in usage) based on the charges ranged from 15% to 18%. The study demonstrates that regional tolling could generate \$2.6 billion if the goal is to maximize

throughput on the system – in other words, tolling is used as a tool to reduce congestion. Alternatively, we examined prices that would maximize revenue, and this approach could generate \$4.5 billion, although system efficiency would not be as good.²

Figure 8-3	
Rate Change	\$ in millions
All Highways - Maximize throughput	\$ 2,591
All Highways - Maximize Revenue	\$ 4,499
Source: State Senate Staff; Parsons Brinkerhoff study	

While it may be controversial to impose tolls on existing roads, tolling represents the most direct way to charge system users for the costs of maintaining and preserving as well as constructing new capacity for the highway system. Technology improvements, including radio frequency identification, smaller device size and lower power requirements are sufficiently sophisticated that the system can be implemented relatively easily and can be developed to make roads accessible to low income users. More work is needed, and we encourage continued research on tolling alternatives after this report is issued. Most of the analysis in the United States has focused on tolling as a revenue source. System wide dynamic tolling is necessary to preclude diversion to alternative routes. A PSRC study presentation on November 7th outlined by former WTC chair Aubrey Davis, focused on time of day pricing, employing substantially higher tolls during busy hours than off peak hours on all highways. Because demand shifted to other hours, the effective capacity of the highway was increased. Such pricing mechanisms have been routinely employed in the telecommunications industry for decades to shift demand away from busy hours and thus avoid the need to build additional capacity – the analogy seems to apply. In the telecommunications industry, the high cost of incremental capacity causes commercial operators to employ pricing to shift demand from peak to off peak hours. We also discussed creative cooperative partnerships with business and public sector employers which could utilize this type of time-differentiated pricing to smooth the use of the most congested regional highways and increase the effective capacity of the system. A regional governing entity could design and run demonstration projects to determine actual revenues and demand shifts. Such a project could involve private partners who would test developing technologies.

² The Senate staff also provided information on toll revenue that could be provided by a rebuilt Alaskan Way Viaduct which would vary between \$71 million in the maximize throughput approach and \$151 million in the maximize revenue approach.

User-related systems including transit fares, highway tolls and parking fees can create incentives to use the transportation system efficiently. Both have the positive impact on increasing revenue to support the system while reducing demand. Since the two charges are obviously interdependent, if both are imposed, it is unlikely that either of the repression levels would be achieved. If transit fares rose to \$4 at the same time that relatively high regional tolls were imposed on all state highways, fewer than the expected number of transit users would shift because the alternatives would become more expensive as well. Unclear however, is the degree to which imposition of tolls and increased in fares would reduce total trips taken, and the broader consequence on our economy of those reductions.

More work is needed to determine the appropriate strategies for user related charges in this region. The Commission concluded that there is a vital need for new or more revenue from regional, user based (non-tax) sources, including tolling, regional transit fares and parking fees that would be both a source of revenue and as tools to managing demand. **We recommend that the PSRTC be granted authority to set regional tolls on all roads over which it has jurisdiction and that the region retain all regional tolling revenue and have authority to standardize transit fares for regional routes.**

Private Sector Involvement in Transportation

There are a number of ways that the public sector could more actively engage private sector resources to improve the transportation. They include: a “transportation endowment;” privatization of transportation facilities, private operation of public facilities through service agreements or concessions, 63-20 bond financings, franchises, developer agreements and local improvement districts.

Transportation Endowment Commissioner Burke proposed an approach by which a foundation would be established that would allow individuals and corporations to contribute money to support the transportation system. While individuals can make tax deductible contributions today to a state or regional agency such as WSDOT or ST, there are no formal programs for such contributions. However, legislation could be enacted to establish a public nonprofit corporation and/or public endowment with the ability to accept private donations to be used for transportation system purposes. Whether major private donors (individual or corporate) would be interested in contributing to such an endowment would need research. Although donors regularly give to the arts and to medical research efforts, these have been historically

seen as "charitable" in nature, with both personal and business positives flowing from such donations. There is no history of major voluntary contributions to transportation infrastructure. However, there is a long history of voluntary contributions to higher education universities and colleges. Certainly publicly-funded universities and colleges benefit from scholarship and endowment programs and have been operating them successfully for years.

For the past 60 years, transportation infrastructure and operations systems have been viewed as basic public functions to be paid by taxes, which are mandatory rather than voluntary. Interestingly, arts fund raisers have found some resistance from donors (particularly foundations) to giving to public entities like public development authorities or public facilities districts. It is easier to elicit contributions to private nonprofits. That would be an argument for creating a "foundation" or "endowment". Many private interests would contribute to a public endowment if they could target their funds to specific areas (freight, major highways, transit, etc.) and have confidence that the funds would be expended and accounted for in these areas. Again, we see an analogy to this system in higher education, where a donor to a scholarship or endowment program may target his or her contribution to several services (i.e., libraries, specific programs, athletic facilities, etc.). Further investigation is warranted as to whether donations could be encouraged from corporations or an industry by offering cheaper or better access to restricted traffic lanes for their employees and/or freight and goods.

Privatization of Transportation Facilities Nationally, there has been considerable activity in the area of "public-private" cooperative transportation enterprises, but this has been mainly in the area of private for-profit investments. Several state and local transportation agencies have licensed or leased entire highways, highway corridors or other transportation systems to private entities that have agreed to operate them over a long period of time (e.g., 99 years). A large upfront payment is made to the public body, which invests that money in *other* needed transportation infrastructure. The private investor operates the system they have leased, charging tolls or fares to make a profit. For example, in June 2006, the State of Indiana leased the 157 mile Indiana Toll Road to a private company in a \$3.85 billion transaction. The private firm will be responsible for upgrading, maintaining and operating the facility for that period. Similarly, the City of Chicago entered into a \$1.83 billion 99-year concession lease of the Chicago Skyway (the "Skyway") toll road. The Skyway began operations in 1958 and is a 7.8-mile; 6-lane elevated toll road and toll bridge. The private concessionaire will upgrade, maintain and operate the facility. Both the Indiana and Chicago projects involved existing facilities, but

during the last decade a number of new toll roads have been developed through public-private cooperative ventures.

Washington State's recent attempts at "public-private transportation initiatives" under Chapter 47.46 RCW have not yet succeeded due to strong public (and legislative) resistance. Originally enacted in 1993, Chapter 47.46 RCW called for proposals to finance, construct and operate major highway facilities in Washington State. Six proposals were initially selected for consideration and the development of contracts with private sector providers. These included, among others, proposals to finance, build and operate: the second Tacoma Narrows Bridge; an expanded SR 520 Evergreen Point Bridge (including lids over the highway in Seattle's Montlake and Roanoke neighborhoods); a four-lane SR 522 from Woodinville to Monroe; and an upgraded Highway 18 from I-90 to I-5. All of these proposals would have relied on tolls to cover capital and operating costs. Although the Washington State Department of Transportation successfully negotiated detailed contracts with several of the private sector entities (both for-profit and nonprofit), only one agreement for a major project was executed: the contract for the Tacoma Narrows Bridge. Local opposition to selective tolling of facilities led to legislation in 1995 and 1996 that significantly cut back on the program³. Eventually the Legislature decided to change the approach for financing and operating the new Tacoma Narrows Bridge—a private sector entity retained the design-build contract, but financing was shifted from a nonprofit corporation to the State Treasurer, and operation was shifted from that nonprofit corporation to the Washington State Department of Transportation. In 2005, the Legislature enacted the "Transportation Innovative Partnerships" law,⁴ which will phase out Chapter 47.46 and provide a new framework for competitive selection of private sector "partners" to work with the State on the financing, design, construction and/or operation of facilities. This statute could provide the basis for a major program for involving the private sector in some or all of these functions for State transportation projects. Similar legislation could provide the basis for regional highway, road or transit projects, just as existing statutes permit public-private cooperative arrangements for the financing, design, construction and/or operation of solid waste facilities (RCW 36.58.090) and water quality facilities (Chapter 70.150 RCW).

³ (1995 2nd sp.s. c 19; 1996 c 280.)

⁴ (2005 c 317)

Franchises The granting of franchises for private transportation systems (e.g., street cars) is one variety of public-private cooperative option. Similar in some respects to the public-private ventures described above, franchises were used early in our state's history for the development of transportation infrastructure. For example, most of the street cars that shuttled back and forth on the streets of Washington's major cities until the 1950's were privately owned. Franchises to lay track and operate streetcars and cable cars were granted by local governments in exchange for annual fees, and the franchisees provided the needed transportation services. These arrangements are permitted by statute (see, e.g., RCW 35.22.280(9)) but are constrained by constitutional, charter and statutory constraints (see, e.g., Article I, § 8 of the Washington State Constitution, Tacoma City Charter, Article VIII, Seattle Charter Article IV, §16, and RCW 35.23.380). These arrangements were fairly successful until the growth in private automobile use undercut the profitability of these operations. Two such franchises that might work well in our area are:

- Small scale passenger ferries operated privately, reminiscent of the "Mosquito Fleet" that used to provide extensive service between local landings.
- Demonstration projects involving jitney buses or other unconventional transit forms.

63-20 Financings. IRS Revenue Ruling 63-20 allows nonprofit corporations to issue tax-exempt bonds on behalf of governments so long as the bond proceeds are used to construct capital facilities for governmental use. In a typical 63-20 transaction, a nonprofit corporation contracts with a private design-build team, which delivers the public asset, such as a building. The facility is then leased to the government involved. When the tax-exempt bonds are paid off the facility must be handed over to the government. A 63-20 financing was used four years ago for a major new freeway access ramp system from I-90 up onto the Sammamish Plateau in Issaquah. 63-20's are financing techniques and they do not themselves generate revenue to repay bonds. Repayment comes from taxes, private payments or from tolls or fares. The use of the 63-20 financing approach recently has been the subject of an in-depth (and critical) analysis by the Washington State Treasurer. See: http://www.wa.gov/tre/BondDebt/bnd_63-20cof.pdf.

Developer Agreements. Developer agreements are potential mechanisms for local transportation capital improvements. RCW 36.70B.170-.210 authorizes development agreements between a county or city and the developer of a piece of property. These agreements are typically used in the zoning and permit process, but RCW 36.70.170(4) provides that a "development agreement may obligate a party to fund or provide services,

infrastructure, or other facilities,” and this can provide the legal basis for significant public investments in infrastructure that will aid a private development that a government regards as beneficial. For example, the City of Kirkland recently used this statute in an agreement with the owner of the Totem Lake Mall, under which the Mall owner would reroute and rebuild a City street, build a public plaza and construct a parking garage. The street, the plaza and a portion of the parking garage would become City owned. Because this project is to be built by the developer as part of a larger private project, the City expects to see significant cost savings and together with the expansion of the mall that will yield new retail sales tax revenue.

Local Improvement Districts. Local improvements districts (“LIDs”) are another traditional yet successful mechanism for financing transportation facilities. LIDs may be initiated either by petition or by action of the governing body of a city, county, metropolitan municipal corporation or certain special purpose districts. Property adjoining an improvement and benefited by the improvement is made part of the LID; that property is assessed in an amount not in excess of the increase of the property’s value as a result of the new capital improvement. Examples of major transportation projects financed in part by LIDs include the Aurora Bridge, the downtown bus tunnel, the new South Lake Union street car in Seattle, and new I-5 access ramps adjoining Alderwood Mall in Lynnwood.

Maximizing Efficient Use of Current Sources. One financing mechanism currently in place involves dedicated streams of revenue for specific purposes. There are currently four such programs, three are covered by State legislation and one by Federal legislation. The programs, their purposes, and their size are listed below in Table 8-4.

Table 8-4 Directed Funds

Name of Board	RCW/Fed	Description	Budget
Transportation Improvement Board	RCW 47.26	Project sponsors apply for grant funds to TIB, who evaluates projects and awards grants. Projects currently compete only with other projects in one of four TIB regions - King, Pierce and Snohomish form a Puget Sound TIB region	Agency operations: \$3,249,000 Capital Grants: \$197,826,000
Freight Mobility Strategic Investment Board	RCW 47.06A	FMSIB compiles a list of freight-supporting projects brought to it by project sponsors, endorses the list, and advocates for its funding. FMSIB does not have a capital budget - freight projects selected by the Legislature and funded through the WSDOT budget.	Agency operations: \$666,000
County Road Administration Board	RCW 36.78	Counties apply to CRAB for project funding. CRAB awards grants based on their evaluation.	Agency Operations: \$3,540,000 Capital Grants: \$97,985,000
Surface Transportation Program	Federal	A portion of STP funds are allocated to regions for competitive project selection processes. (The remainder is retained at WSDOT for state highway projects and a statewide enhancement program.) In the four-county Puget Sound region, project sponsors apply to PSRC. Projects are scored based on regional criteria, and selected by the PSRC. For the statewide enhancement program, PSRC forwards a list of regional priorities to the state for selection.	About \$100 million per year statewide

These boards and programs are examples of the Legislature or the Federal Government stepping in to prioritize needs. Any new regional body should be allowed to administer the region's section of these funds.

Other Approaches. We recommend that the PSRTC make a serious study of other approaches, included street utility charges, transportation impact fees (similar to current environmental impact fees), employment (per-employee) taxes, and parking taxes. Though the Commission notes that regional solutions require the use of relatively large scale taxes and user charges that produce significant amounts of revenue, even the production of small amounts of revenue can provide useful sources of revenue for local improvements. More importantly, a revenue source combined with imaginative technological or financial methods may prove in the future to have great potential for broader use.

We recommend that the PSRTC have the authority to enter into creative financing arrangements including approaches involving private sector resources such as

transportation endowments, privatization of transportation facilities, private operation of public facilities through service agreements or concessions, 63-20 bond financings, franchises, developer agreements and local improvement districts.

Conclusions

It is clear that insufficient funding resources are available from current sources we identified. We do not believe the answer is simply to raise more taxes. User fees for highways that impact usage – particularly those that shift demand away from busy hours – seem to be the most immediately promising. We should not take a scattershot approach to regional transportation revenue. There is no single solution or source. Instead, we recommend that a new agency be empowered to pursue a series of approaches including cost cutting, improved prioritization, new and increased revenue from taxes and user charges and the use of demand management tools including tolls, parking fees and faring to limit or shift demand to more efficiently use of existing infrastructure.

A package composed of sales taxes, a modest property tax, a regional MVET, system-wide highway tolling and transit fare increases, could form the core of revenue sources for the region. Privatization of select facilities—through long-term concessions, franchises, or construction and operation by “63-20” nonprofit entities—should be studied carefully by policy makers. Other, smaller revenue sources such as transportation endowment and LIDs might be applied to special projects with high interest among some portions of the public (*e.g.*, the Alaskan Way Viaduct).

Finally, our examination demonstrates that there is no single approach that will solve the looming funding crisis. Cost-cutting, demand management, new revenue and a clearer centralized prioritization process must all be combined if we are going to effectively address our transportation crisis. Even with the strongest approach to demand management, simply replacing aging facilities and maintaining the subsidies for transit systems will require substantial additional funding. As we address in the next chapter, a strengthened prioritization authority over large projects with region-wide significance must go hand in hand with the authority to generate revenue because even the most aggressive revenue generation scheme will not meet every need.

In conclusion, we recommend that the broad financing powers be granted to any new agency and that those financing powers be broadly interpreted. This Commission does not have the resources or time available to fully vet every mechanism, nor is that our charge. We believe that a new transportation authority should be given the capacity to raise revenue through a wide range of existing, new, and innovative mechanisms. It must be given the freedom to pursue due diligence on all available options and generate revenue based on clear policy goals and performance benchmarks and outcomes.

Chapter 9

Recommended Regional Governance Model

In this chapter, we recommend a model for regional governance. The chapter will also include an all elected model, in response to our statutory mandate, although we do not recommend this for reasons we will describe. In the Commission's draft report, we presented a "choices matrix" and three distinct models for regional transportation governance for the Puget Sound region to fulfill our mandate to "describe discrete alternatives that will be the basis for public discussion." The matrix and models are included as appendices 9-1 and 9-2. After presenting those alternate approaches in November, we then solicited and received comments from over 100 parties.

Based on that input and our deliberations, we are recommending the creation of a 15 member Puget Sound Regional Transportation Commission.

Threshold Question: Do we need a new regional transportation governing structure?

Our answer is yes! After months of work, in our final three meetings we thoroughly discussed the premise of the creation of this Commission and asked ourselves whether the existing regional transportation governance systems can be modified sufficiently to achieve the goals outlined in Chapter 6. We concluded that the present entities in the region responsible for our transportation system represent a cluster of bodies created for discrete purposes, geographies or modes. But none has the breadth, structure and authority to accomplish the overall task that faces the region. We believe it is essential that a new entity operate as a regional agency that can meet the needs and challenges facing the entire region on a multimodal basis, with sufficiently broad powers to plan, prioritize and finance transportation for the betterment of transportation for future generations.

Process: A series of choices

In the deliberations that led to our recommendations, we began our analysis by examining issues such as the scope and structure of a new regional governing entity, using the "choice matrix" which we laid out in the draft report (Appendix 9-1). In that matrix, we broke down the

governance topic into eight categories which addressed the array of that were important in structuring a new authority. The first choice was the scope of responsibility ranging from transportation only to a wider array of responsibilities including land use. We then looked at the range of the authority for the agency, from planning only to all planning, financing, construction and transportation operations for the region; the degree of authority the entity might have over roads and transit that could range from advisory to full control. We also examined the degree of financing control and possible revenue sources critical in determining the adequacy of funding capacity for the new entity. How the board might be selected engendered the most lively discussion because of our familiarity with the choices and their implications. Finally, we defined the boundaries over which the new agency should have responsibility.

Recommendation

We recommend that the State Legislature create a 15-member Puget Sound Regional Transportation Commission (PSRTC) which has authority and responsibility for planning, prioritizing and funding all modes of regional transportation for the four county area.

Scope and Authority

The new PSRTC should have responsibility for land use and transportation planning, prioritization and funding. In order to carry out its role, we recommend that the PSRTC absorb the responsibilities and succeed the role of the PSRC as the Municipal Planning Organization (MPO) under federal law and the Regional Transportation Planning Organization (RTPO) under state law. A systemic, regional approach to transit and roads will require viewing all of the components of the transportation network on a coordinated multimodal basis. Regional governance should be based on regional goals and objectives and should stitch together existing agencies rather than creating a new layer of bureaucracy. We recommend that the new entity replace the PSRC and that the respected planning staff of the PSRC become the founding planning staff of the PSRTC. We realize that PSRC has responsibilities for economic development and has taken on a broad role in the Prosperity Partnership. The disposition of those responsibilities is beyond our scope, but we suggest that the PSRC be merged into or become the basis for creation of the new PSRTC and thus that the new agency initially at least take over planning responsibilities.

As the MPO, the PSRC is currently required by federal law and regulations to have an outreach function that works closely with counties, cities, ports, tribes and other constituencies. We

strongly urge the Legislature in designing the new entity to perpetuate the activities of the PSRC through advisory groups in order to preserve the sense of regional inclusiveness. The new PSRTC should be required to create an effective advisory body to actively involve and maintain strong relationships with counties, cities, ports, tribes, business, labor, transit agencies and other groups in the transportation planning process. Redesignating the MPO will require support from local governments and federal government approval which will require time. But we urge the State Legislature to not allow this approval process to delay the creation of the PSRTC.

Land use planning is currently accomplished by a complex set of planning and permitting agencies. Though many agencies engage in prioritization, the new regional entity should be created to coordinate planning on a long-term basis among the different transportation entities. The new body should have the authority to address the critical needs in planning, including responsibility for certain elements of growth management and land use. To respond to concerns about the degree of difficulty in getting a project approved and constructed, we believe the new agency must have the ability to address obstacles in getting projects built. We do not believe that the PSRTC should have blanket pre-emption authority, nor that it should assume the role of the Growth Management Board. However, the new agency must have the ability to cut through the multi-jurisdictional permitting and approval environment to get projects built. Land use and transportation planning are inextricably linked, and it is impossible to carry out one in the absence of the other. Therefore, the PSRTC would integrate land use and transportation planning, and should be given sufficient authority to implement that integration. At the same time, it should be noted that this is a complicated endeavor, involving significant reshuffling and renegotiation of the authority of existing bodies. In addition, we separately recommend that the issue of permitting be examined to see if there are efficiencies in streamlining the process of acquiring transportation and environmental permits.

We did not have sufficient time to look at some of the efficiency implications of the present structure, which includes 128 agencies working on transportation issues. We recommend that there be further study on the efficiency implications of the presently-fragmented transportation system, some of which are beyond the scope of the proposed PSRTC. This work could be done by an expert panel or by the State Auditor.

Funding

The PSRTC should have the authority to generate revenue from tax and transportation user charges to pay for future transportation projects. A regional governance structure is needed to coordinate the use of all tax and user-based revenue sources as a part of an overall financing strategy. We recommend making all revenue collected or earmarked for regional transportation purposes the responsibility of the PSRTC, including any Federal money and state transportation funds either raised in or designated for the region. We applaud the Legislature for filling the vacuum of regional authority, but if we are to unify priorities, the PSRTC must allocate all money for regional projects. We believe that for this plan to work, the Legislature must be willing to step back and allow the PSRTC to exercise financial stewardship over transportation projects in the region. The Legislature should allocate all money generated in the region from state transportation tax sources for regional projects. We specifically recommend that money collected within the region from State Motor Vehicle Fuels (MVFT) and State Motor Vehicle Excise (MVET) taxes be prioritized, managed and allocated by the PSRTC. We recognize that some revenue has been earmarked for specific projects and that a long transition period may be required to fully implement this recommendation.

Identifiable transportation funding sources for future projects are inadequate for the needs of the region, and thus there is a concrete need for more money to support transportation as we demonstrated in Chapters 3, 4 and 7. We recommend that the new PSRTC be granted broad authority to levy regional taxes sufficient to meet regional transportation needs, including regional property, sales local option fuel taxes and the MVET.

Centralizing all regional transportation funding sources ensures that projects will be planned and prioritized centrally. The PSRTC should also be granted authority to act as gatekeeper for any regional transportation tax or bond proposal going to the ballot above a threshold size. This will ensure that any new taxes for major transportation projects first be approved by this agency. This should eliminate contention between competing interests for limited funds.

There is a vital need for new or more revenue from regional, user-based (non-tax) sources, including tolling, regional transit fares and parking fees that would be both a source of revenue and as tools to managing demand. We believe that tolling is the most important long term tool for managing demand and for financing transportation. Today, other than ferries and bridges, no transportation tolls are collected in Washington State, and consequently road usage in the

region is regarded as a “free good”. We applaud many of the recommendations of the recent WSTC report on tolling. The PSRC has also done groundbreaking work on universal tolling that should be accelerated. There is no reliable information on the amount of revenue that could be generated by universal tolling on regionally significant roads. However, we received estimates that if roads of statewide significance were tolled modestly with no time of day premium, between \$2.6 and \$4.5 billion in bonding capacity could be generated (see Chapter 8). One area in which we disagree with the WSTC report is their conclusion that tolls should be set by the WSTC and that revenue go into state coffers. **We recommend that the PSRTC be granted authority to set regional tolls on all roads over which it has jurisdiction and that the region retain all regional tolling revenue.** We further recommend that the Commission be given broad authority to implement demand management, including the ability to impose fees for parking, new technologies such as RFID tagging to implement tolling, and other intelligent transportation technologies. In all use based fees the new PSRTC should be mindful of the need to use technology to create economic arrangements for low income families as were reminded in testimony by the State Human Rights Commission.

The PSRTC should have the authority to implement regional demand management tools as a tool in addressing reducing demand and increasing revenue. There is presently no effective, coordinated regional transportation demand management system, and very little operating coordination between roads and transit operators. We believe that there are substantial opportunities to shift demand into off-peak periods by creating incentive systems and by better coordinating the pricing of road usage through tolling, the pricing of transit services, and the pricing of parking at destinations to more efficiently use both our road and transit assets. The PSRTC should develop a comprehensive demand management strategy that utilizes techniques such as dynamic tolling, parking fees or taxes, and faring; these funding mechanisms encourage and incentivize more efficient utilize our transportation system. There have been programs by WSDOT and the transit agencies to create incentives for employees to commute during off peak hours and to use transit. These programs have had limited success in substantially reducing the use of SOV’s during peak hours. More work is needed with large employers and schools in order to shift their employees’ commute times in order to reduce travel during busy hours. We have seen some use of new technologies including experiments by PSRC and tools used in other communities. There are technologies used by businesses in the Puget Sound region which could be useful in managing transportation demand. The region has the potential to take advantage of its size and scale in investigating and eventually

implementing new technologies. The PSRTC should have the authority and be encouraged to use new technologies to implement demand management systems.

Authority over road projects:

The PSRTC should take full responsibility for all State Roads, “Roads of Statewide Significance” within the region as well as “Roads of Regional Significance.” This authority should extend to planning, prioritizing projects, allocating state and federal monies, regional taxing authority and tolling.

One of the most complex questions that occupied the Commission was that of prioritization. It was unclear even to the agencies that gave presentations to us who were in charge of deciding which projects get built and when. Several agencies stated that some projects were delayed significantly because of varied approval processes of state, federal and numerous local funding sources, and the challenges of coordinating that funding. Many local projects are constructed with small pots of money available at several governmental levels. Many of these projects were built through state planning, combining analysis from the Washington State Department of Transportation (WSDOT), with local input from municipal authorities. Many, but not all of these, are on lists assembled by PSRC. In addition, the Legislature has played a greater role over the years in prioritization of projects particularly through the Nickel Package and TPA. But whatever agencies are involved, there is a clear need for a regional body with the power to prioritize future work in a balanced and objective fashion, and to effectively coordinate and apply multiple funding sources.

Answering the question of which roads are subject to regional prioritization will require more work. “State roads” and “roads of statewide significance” are defined terms, and those roads should be within the new entity’s authority. It is also necessary to identify “roads of regional significance” which would be subject to PSRTC jurisdiction. The PSRTC should establish strict criteria to limit the roads subject to its jurisdiction to truly significant routes, and routes that are critical to the regional transportation plan. The new PSRTC should take responsibility for projects on these roads, including construction of new capacity, preservation and maintenance authority. The new PSRTC should take life cycle responsibility for all of these projects owned by the region, including responsibility for construction of new capacity, preservation and maintenance authority.

The new PSRTC should have the responsibility for all regional projects, but delegate construction and day-to-day operation to WSDOT or other appropriate agencies. The new PSRTC should not separately contract to build projects. WSDOT has proved itself to be an accountable and responsible construction leader completing Nickel projects on time and on budget. However, WSDOT's regional system should be reorganized to conform to regional boundaries. **We recommend that the State Legislature align the WSDOT districts with the four-county Puget Sound region whether or not legislation is enacted in the legislation creating the PSRTC.** The Puget Sound region is presently split into 4 WSDOT regions (including the Urban Corridors Office). A simple and obvious re-write of these boundaries is required to correspond to regional needs. The present regional transportation authority is the RTID Planning Committee consisting of the 25 county council members in three counties using weighted voting. The Legislature has mandated that the Planning Committee seek voter approval for the RTID package in November 2007, jointly with ST2. If RTID passes (as this Commission hopes), responsibility for RTID funding and projects should reside with the new PSRTC.

Authority over transit agencies:

We recommend that the PSRTC have the authority over planning, prioritizing and financing regional transit projects, including authority over Sound Transit and authority to standardize fares for regional routes. The Commission noted both efficiencies and overlaps in existing transit lines. The questions of coordination, standardization, and consolidation of these geographically entwined agencies are serious ones. We recognize the value of agencies that are responsive to local needs and the tension between those needs and the potential for improved regional efficiency.

This is vital to preserve the organizational and financing arrangements and to enable Sound Transit to secure voter approval for the ST2 plan scheduled for November 2007. But, it is also vital that regional transit be fully integrated as a partner in an overall regional transportation strategy. After an extremely thoughtful discussion of the issue, we concluded that a true regional transportation system could not be managed with one board running Sound Transit, another running PSRC and a third board running RTID. These boards work hard to cooperate on projects, including the upcoming November 2007 ballot, but permanent integration requires a single board. As a result, we concluded that Sound Transit should become a division of the PSRTC and its planning functions would be combined with other regional planning functions

under the PSRTC. However, Sound Transit should remain as a separate legal entity for purposes of day-to-day operations and supporting debt and borrowing capacity, and may need to have a separate board for overseeing those matters. We envision few changes in operations, but to integrate regional functions effectively, all regional entities should be combined.

We were divided on the degree to which local transit should be integrated into a regional transportation entity. The inherent tension between local control and integration produces great challenges. It is clear, for example, that transit agencies need to increase cooperation so that transit can absorb a larger portion of peak time and off-peak users. As we note in Chapter 3, regional transit pricing could be better integrated. Consequently, we recommend that the new PSRTC have full authority over all regional (i.e., inter-county and other major) routes, including scheduling and faring. The degree of future integration should be the result of detailed, objective analysis of the potential for service improvements and cost savings. Further study of local transit agencies is appropriate on the question of transit integration or combination is warranted. **We recommend a study of the implications of further integrating or possibly combining the local transit systems into a single organization. This work could be done by the new PSRTC, an expert panel or the State Auditor.**

Representation

We recommend that the PSRTC be a fifteen-member body, with a combination of nine elected and six appointed members. The nine elected commissioners would be chosen from proportional districts, to ensure broad geographic representation. Nine elected commissioners chosen by district would ensure broad geographic representation of the district as is illustrated in Figure 9-1.

Figure 9-1

	<u>2006 Population</u>	<u>Percent of Region</u>	<u>Reps on 9 member RTC</u>
King	1,835,300	52.1%	4.7
Pierce	773,500	21.9%	2.0
Snohomish	671,800	19.1%	1.7
Kitsap	<u>243,400</u>	<u>6.9%</u>	<u>0.6</u>
Total	3,524,000	100.0%	9.0

Districts would have a population of approximately 390,000--three times the present size of a legislative district. While large, we believe this would represent a reasonable community of interest. The remaining six commissioners would be appointed by the Governor and confirmed by the Senate. The Governor would designate one of those members as chair of the PSRTC. Appointed members would be selected on the basis of expertise in relevant subject areas such as in planning, construction, finance and management. While former elected officials should be eligible, current elected officials would not be eligible to fill these positions – so that commissioners can solely focus on regional needs. Appointed members should be geographically diverse if possible. WSDOT should coordinate with the PSRTC, but the Secretary of Transportation should not serve on the Commission, to eliminate any potential conflict of interest. The members need to be as independent as possible, and thus we recommend a high standard for removing a commissioner such as recall for the elected members and removal of appointed members only for misfeasance or malfeasance in office.

Legal analysis suggests a mixed elected-appointed commission, established as a municipal corporation, could have independent taxing and bonding authority and would be consistent with legal precedents (particularly the *Cunningham v. Metro* decision) if the elected members, representing a majority, are selected consistent with “one person, one vote” standards.

Appointed members would be selected on the basis of the individual's familiarity and grasp of the complicated issues that will face the body. Such members could draw from experts such as engineers, financial executives, leaders of civic organizations and former planning and transportation officials. We believe that a balance of elected and appointed commissioners would facilitate the creation of a regional spirit that is critical for the success of the PSRTC. Senate confirmation of appointed members would help ensure that they are experts.

The commissioners should serve six year terms and be eligible to hold office for two full terms. We recommend that commissioners be appointed as non-partisans to part time positions. The PSRTC Commissioners should be well-paid part time positions. We would defer to the Legislature on the specifics. Terms should be staggered to assure historical continuity and to ensure that experience is retained as membership changes.

Boundaries

The boundary of the PSRTC should include all of King, Snohomish, Pierce, and Kitsap counties, as this is the optimum boundary for all modes of transportation requiring current and future planning. This includes all present modes of transit, light rail and possible future forms of transit, including monorails and passenger ferries.

As the region grows, the Commission's region could be enlarged to include other counties, such as Skagit, Thurston and Island Counties. We note that the largest employer in Skagit County is Boeing, although that firm has no operations in that county – residents commute in large numbers to the Boeing Everett facilities. There needs to be a process by which the PSRTC can be gracefully expanded, with reasonable incentives for both new comers and the original counties in the region.

The new PSRTC should not be burdened with a requirement to spend money evenly by mode and/or across geographical areas, and thus the PSRTC should not be required to operate on the basis of strict sub-area or modal equity. The issue of modal and geographic segregation of funds was extremely challenging for our Commission. After six months of work, we reached the consensus that *with the structure we have recommended above*, it is possible to eliminate the requirements that revenue be segregated. The new PSRTC should not be burdened with a requirement to spend money evenly by mode or across geographies. The most important principal is that funds be allocated based on regional need and a broad sense of fairness. Money should be allocated based on objective standards established by the PSRTC intended to ensure that monies equitably maximize regional performance. A geographically balanced, majority elected PSRTC would be able to fairly allocate money without specific rules or requirements. If the work of the PSRTC is not perceived as fair, the people can vote board members out of office. The RTID statute and the Sound Transit board policy requirement that money be spent in proportion to taxes raised could undermine the PSRTC's ability to meet regional needs, and those requirements should be eliminated. Raising money separately by mode has the effect of ignoring regional needs irrespective of differences in density or use patterns. We recommend that the new PSRTC be bound by a mission to be fair in allocating funds.

Alternative Model Required by Statute: A directly elected body

The statute that created this Commission mandated that we “develop ... an option providing for the formation of a regional transportation governing entity, of which all of its members must be directly elected...” If that is the Legislature’s preference, we propose a fifteen member body which would be directly elected by district. Such a board would increase direct accountability, and shrink the size of a transportation district to 235,000 residents -- 1.8 times the size of a legislative district. Although a smaller district size would increase local accountability, we were concerned that an all elected model would not have the benefit of experts.

Other than making districts smaller, we would not change any other aspect of our recommendations above. We believe it is even more important that an all elected commission be non-partisan and have an independent body such as the Washington State Redistricting Commission establish and maintain boundaries.

Conclusion

Transportation is the issue most Puget Sound citizens cite as their greatest concern in recent popular surveys. There is a need for more money for critical transportation needs, but the public will support only a certain level of funding. The allocated money must be prioritized effectively and in a manner that instills public confidence in the decision making. The present governance system evolved over decades in response to changing circumstances and needs. This Commission spent hundreds of hours attempting to understand the problem and developing a proposed solution. We have in this chapter recommended an approach that we believe will, over time, produce substantially better decisions and inspire public confidence. Most important, we are firmly convinced that our recommended approach will produce a much better multimodal transportation system for our region.

Acknowledgements

The Regional Transportation Commission was created with its own unique challenges, not the least of which being our statutory parameters and extremely short timeline. Yet this approach used by the Legislature had the virtue of bringing together nine diverse members of the region who collegially undertook a compelling regional challenge. We are deeply indebted to many people who helped us and worked with us at many levels, and each deserves our recognition and appreciation.

Each of the Commissioners have jobs, families, and lives. Our public meetings alone consumed over 60 hours, were held in all four counties, and necessitated long commutes – ironically on our congested roads. Each Commissioner reviewed and commented on drafts of the report, and most importantly, each contributed unique perspectives and insights. We thank them for their selfless support of their community. While administratively challenging, the virtue of our independence and limited term gave us the intellectual freedom to make decisions without conflicts. We thank each Commissioner for their service.

We were extremely impressed with the Secretary of Transportation, Doug MacDonald. Doug served as a non-voting member of the Commission and often provided guidance and information that was indispensable in our efforts. The staff of the Washington State Department of Transportation was also extremely helpful throughout this process, including Brian Smith, Chris Picard, Charles Prestrud, Yumi Hung, David Dye, David Hopkins, Doyle Dilley and Laura Thompson.

Many of the agencies subject to our review were not merely compliant, but were extremely helpful and generous with their time, data, information, and guidance. Joni Earl and Rick Ilgenfritz of Sound Transit deserve special recognition, as do Paul Matsuoka, Brian Brooke and Bob Harvey. We are also indebted to Bob Drewel, Rick Olson and Charlie Howard at the Puget Sound Regional Council and greatly appreciate their time and efforts.

We were pleasantly surprised with the generosity and openness of other jurisdiction and their willingness to share their expertise and information. We know those jurisdictions are busy working hard on their respective projects, and we would like to thank the agencies that volunteered to come and address our Commission. Pat Jacobsen, CEO of the Greater Vancouver Transportation Authority (TransLink), Mark Turpel from Metro in Portland, and Dave Boggs, CEO of Valley Metro in Phoenix all presented thoughtful and thorough analysis to our Commission for which we are deeply indebted. All three executives not only participated, but also stayed to observe our meetings, and Ms. Jacobsen even followed up with thoughtful suggestions and advice. We were touched by their desire to help and are grateful for their contributions.

The daily operations of a short-lived project like the Regional Transportation Commission can be particularly challenging for support staff, and we simply could not have been successful without their hard work. We are most indebted to RTC staff members, Linda Robson and Tom Barnard. Mr. Barnard served as the primary author of both our preliminary and final reports. While all of the Commissioners contributed ideas and proposals, he pulled this final document together; working tirelessly to achieve what we believe is an excellent work product. Ms. Robson served as Director of Administration and Public Affairs and provided steady and consistent administrative and outreach support for the Commission, and made sure our activities were efficient, professional, and open to the public.

We also relied heavily on the support of people outside of the RTC organization and would like to express our appreciation for their assistance. Jennifer Zeigler of the Governor's Executive Policy Office offered critical support during the formation of the group and continued to provide excellent insights and information throughout the process. We are deeply indebted to Karen Clark and Trilogy Equity Partners for providing invaluable administrative support and giving the RTC the basic supplies, computers, and space we needed to complete our tasks. Jordan Nilsen of Jodani Web Design helped us get our website online quickly. The University of Washington Evans School of Public Affairs also provided much needed support, and we thank Dean Sandra O. Archibald, Professors Paul Waddell, Dan Carlson, Stephen Page, Laura Evans, and Kerry Coughlin for their invaluable contributions, as well as Nathan Phillips and Bonnie Fortin for their hard work on research and administrative support. Hugh Spitzer and his colleagues at Foster Pepper PLLC offered outstanding legal guidance and policy advice that was critical to the project. We also want to recognize the excellent work of service provided by Jane Malbon of JKM Research, Don Stark and Patrick McRoberts of Gogerty, Stark Marriott, and Virginia Ng, Rose Custer, and Rebecca Armen Lyman of Garrigan Lyman. Thanks to each of you for your time and dedication to the project.

Finally, we must acknowledge some of the most important contributors—the citizens who attended the meetings and offered comments and opinions on the issue and on our work. We had as many as 75 citizens attend some of our meetings, and despite the challenges of inclement weather over 80 parties commented on our Draft Report. Too numerous to mention individually, we would like to thank all of the passionate and dedicated citizens that helped us keep our focus on the real issues and the real stakeholders—the citizens of the Puget Sound region.

Tomorrow we go back to being engaged citizens ourselves, but today we would like to thank Governor Gregoire and the Washington State Legislature for giving us the opportunity to serve on the Regional Transportation Commission, and to the Commissioners for the great journey.



Regional Transportation Commission
Draft Report
November 15, 2006

APPENDIX 1-1
RTC Public Opinion Research



Appendix 4-1: History of Transportation Finance

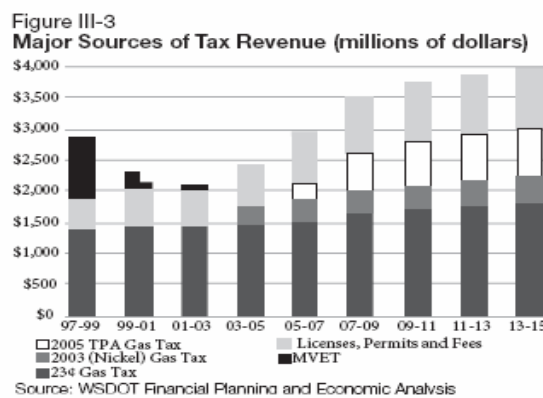
Introduction

In 1905, there were fewer than 100 automobiles in the entire state and fewer than 1,000 miles of state roads served a population of about 600,000. But as World War II was coming to an end, the automobile and construction industries recognized the pent-up demand for cars and the likely future expansion of single family housing into suburban areas. Nationwide, the “highway lobby” pushed for dedicated sources of funding for major road construction. In 1944, Washington voters approved Amendment 18 to the state constitution, limiting all motor vehicle fuel tax revenues to highway uses. This was a pivotal development because it isolated the gasoline tax from other transportation purposes and discretely tied revenue generated by the use of state roads to expenditures on their construction and maintenance. This amendment precluded gas tax revenues from being used for mass transit systems. In 1951, the State Legislature reorganized the Department of Highways under a new five-member Highway Commission. In a later reorganization, the Washington State Department of Transportation (“WSDOT”) formally began operation in 1977. The latest shift occurred in 2002 when the secretary began reporting to the Governor instead of the Washington State Transportation Commission.

Revenue sources

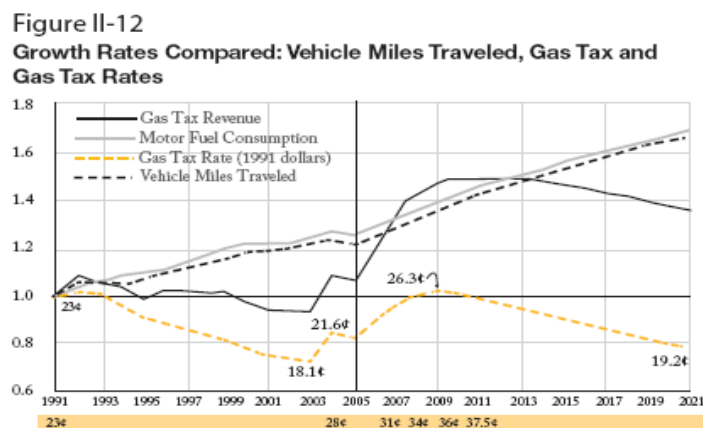
Gas Tax: The primary sources of funding transportation have been the motor vehicle fuel tax (usually referred to as the “gas tax”) and the motor vehicle excise tax (usually referred to as “MVET”).

Figure 4A-1



Motor Vehicle Fuel Tax: Washington began collecting a penny per gallon of gasoline and diesel in 1921, and doubled the tax two years later. At that time there were fewer than 200,000 cars and trucks owned by the state's 1.4 million residents. By 1949, the “gas tax” had risen to 6.5¢, which was the equivalent to 43.7 cents today on a 2005 inflation adjusted basis. The gas tax was consistently raised in the 1950s and 1960s at a rate faster than the rate of inflation, matching large Federal grants to fuel a massive expansion of the highway system. We were told by one former Transportation Commission Chair that for many years the gas tax was viewed as an apolitical issue and routinely raised by consensus.

Figure 4A-2



Source WSDOT

During the high inflation period of the 1970's there was a rising political sensitivity to tax increases and the gas tax was not raised between 1979 and 1991, effectively declining approximately 50% on an inflation adjusted basis. Periodic increases after that brought the inflation-adjusted value of the gas tax back to up to 23¢ in 1991. After the ballot wars over the gas tax and the MVET (described below) and the when fully implemented in 2008, the tax on gasoline of 37.5¢ per gallon will remain below the inflation adjusted rate that prevailed in the 1950s and 1960s. Meanwhile, personal income in Washington has grown much more quickly than total motor fuel tax collections. In 1970, gas tax revenues represented 1% of the total personal income in the state. It had fallen to 0.5% of state personal income by 1990 and to 0.41% by 2004. The number of vehicles and the vehicle miles driven in Washington increased at a much faster rate than population, and gas tax collections have not kept pace with the costs of repairing the wear and tear on roads.

Motor Vehicle Excise Tax: The state began collecting vehicles registration fees in 1915 to support state roads. Initially the fees were based on horsepower of the vehicle but quickly shifted to be based on vehicle weight. By 1957, some of the revenues were used by the State Patrol. Between 1971 and 1980, the State Patrol was funded directly through the Motor Vehicle account. Separate deposits for the State Patrol account resumed in 1981 and continue today.

From 1977 until December 1999, a portion of the proceeds from the Motor Vehicle Excise Tax (MVET) helped to fund transportation systems. Enactment of legislation initially proposed in Initiative 695 (described below) and reinforced by Initiative 776, eliminated much of this taxing authority. Sound Transit (the Puget Sound Regional Transportation Authority) continues to collect an MVET tax in the Puget Sound Region to support its system.¹

Gross weight fees that apply specifically to trucks were established in 1937. Up until 1987 two fees were levied separately, a registration fee and a fee based on the weight of the truck. In January 1987 a new law went into effect that brought the two fees together to form the Combined License Fee. In 1994 the weight schedule was extended from 80,000 pounds to 105,500 pounds and fees increased for trucks over 40,000 pounds declared gross weight. The most recent fee increases for the combined license fee took place in 2003 and 2005. The current vehicle registration fee for new or used vehicles is \$30. Legislation passed in 2005 created a new vehicle weight fee on passenger cars. In addition to the \$30 registration fee, vehicles weighing up to 4,000 pounds pay a \$10 fee, vehicles weighing up to 6,000 pounds pay \$20, and vehicles weighing up to 8,000 pounds pay \$30.

Transit taxes: Under state law, counties, cities and public transit authorities can levy a general sales tax within their jurisdiction of up to .9%. Prior to 2000 (see Initiative 695 below), transit agencies received matching money from MVET tax revenue. The rates vary between taxing jurisdictions. In addition, Sound Transit was separately authorized to tax regional sales based on a region which includes portions of King, Pierce and Snohomish County. They currently levy at .4% regional sales tax.

¹ WSDOT Transportation Commission, http://www.wsdot.wa.gov/NR/rdonlyres/100C6B75-B1E3-48BE-9F03-B73B78417DD5/0/14PartIII_Focus_on_Transportation.pdf

Although I-776 attempted to repeal Sound Transit's MVET, it has continued to be collected because that agency had issued bonds pledging continued collection of the tax.

Figure 4A-3

<u>Agency</u>	<u>Year changed</u>	<u>Rate</u>
Community Transit	2001	0.9%
Everett Transit	2004	0.6%
King County Metro	2000	0.8%
Kitsap Transit	2001	0.8%
Pierce Transit	2002	0.6%
Sound Transit	1996	0.4%
Source: www.wsdot.wa.gov/transit/library/2005_summary/04-StatewideOverview.pdf		

Voter resistance to taxes for transportation: In 1970, King County voters rejected several new transportation bonds, called Forward Thrust bonds, which included a transit rail plan. It was later estimated that a billion dollars of federal transit aid reserved for a Seattle transit system instead ended up in Atlanta instead. Seattle voters voted to scrap R. H. Thomson Expressway and Bay Freeway in 1972, mirroring national anti-highway sentiment that was building because of the tendency of urban freeways to disrupt neighborhoods. While motives to oppose varied voter skepticism on transportation measures was ignited and continued for over three decades.

In 1998, state voters passed Referendum 49, which reduced the MVET, reallocated transportation funds, and authorized \$1.9 billion in bonds to fund transportation projects. But voters struck at MVET funding again in 1999, approving Initiative 695, which capped annual MVET at \$30. I-695 was overturned, but by then the Legislature had followed the will of the electorate the repealed the MVET on its own. Because the MVET had been a major source of Metro Transit's annual operating funds, about 160,000 hours of transit service are cut and an additional 70,000 additional hours of service were postponed. The loss of the MVET led to a general recognition of the need to explore other sources for major transportation funding. Following the recommendations of a "Blue Ribbon Commission", in 2002 the legislature approved billions in transportation projects funded by a 9¢ increase in the gas tax but referred the package to the voters as Referendum 51. That package was voted down by a decisive 63% to 37% margin. In the same year, voters approved Initiative 776, which capped local MVET surcharges.

Comeback for Funding: Whether due to national reports on congestion, government and think-tank widely reports on our transportation problems, or just day-to-day brutal experience on clogged freeways, voters began to reverse course in the new millennium. In 2000, the same year that the Washington State Blue Ribbon Commission on Transportation proposed major reforms and funding strategies, and King County voters approve a 0.2 percent transit sales tax to allow Metro to restore service cuts made after the passage of I-695. Despite the failure of Referendum 51, in the 2003 session the Legislature voted to approve a five-cent-per-gallon gas tax increase to fund a \$4.2 billion in priority “nickel projects.” This package funded 158 projects over a 10-year period. The revenue was derived from 5¢ per gallon gas tax increase, a 15% increase in gross weight fees on heavy trucks and a 0.3% increase in the sales tax on motor vehicles. This marked a total investment: \$3.9 billion for 158 projects. A list of these projects is provided at the end of this chapter in Figure 4A-5.

In 2005 the Washington State Legislature further expanded transportation funding through legislation which provided a 16-year expenditure plan that raised the gas tax again by a total nine and a half cents over the course of four years to fund some of Washington State's most critical transportation needs. An attempt was made to repeal this tax increase through Initiative 912. Although there were early predictions of victory for the initiative based on polling and previous voting patterns on initiatives, the initiative was defeated in a watershed vote by a margin of 54-46%. In a positive public debate, I-912's foes argued persuasively that there was a compelling need to repair hazardous local roads or gridlock. In addition supporters argued that reforms enacted with the nickel package along with changing the Secretary of Transportation reporting relationship from the State Transportation Commission to the Governor had provided greater accountability. Opposition to I-912 crossed political, geographic and economic boundaries across the state. Voters in 13 counties on both sides of the mountains rejected the initiative outright. In 2006, another anti-tax group attempted to repeal other revenue from the 2005 package but failed to collect enough signatures to place Initiative-917 on the ballot.

Figure 4A-4 shows the 2005 funding package included 274 projects across the state over the course of the next 16 years by raising \$7.1 billion from the following sources:

Figure 4A-4

• 9.5¢ gas tax increase phased in over four years	\$5.5 billion
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• Vehicle Weight Fee on passenger cars	\$908 million
• The light truck weight fee increase	\$436 million
• Annual motor home fee of \$75	\$130 million

RTID: The need for transportation infrastructure in the Puget Sound region is disproportionately larger than the population or gas tax revenue generated in the region. But political considerations have precluded spending state generated revenues disproportionately in the region. In 2000, the Blue Ribbon Commission recommended that the Legislature create a regional taxing authority that would fund “highways of statewide significance” through taxes imposed in the region, provided that the taxes were approved by the voters. In 2003, as a part of the Nickel Package, the Legislature authorized the creation of the Regional Transportation Investment District (“RTID”). The entity was charged with the responsibility to develop a proposal for improving transportation by focusing on the most highly congested highways and bridges in Snohomish, King and Pierce counties. As a result of legislation passed in the statute that created this commission, the proposal will be submitted to voters in November 2007, along with a companion transit investment package from Sound Transit.

The RTID is focusing on the most heavily traveled corridors in this region and developing a package that finishes or adds to transportation investments made by the state. Sound Transit and the RTID are currently working on an integrated “Roads and Transit” plan that will include extensions of the region’s light rail system and major road way improvements. The joint plan is intended to address traffic growth, safety issues and freight mobility throughout the region’s most congested corridors in Pierce, King and Snohomish Counties. The transit investments could include additional light rail and improvements to Sounder commuter rail and ST express bus services, depending on the option presented. The road investments could include replacing aging structures such as the Alaskan Way Viaduct and SR-520 floating bridge. It could also include expansion of I-405, SR-167 and new connections in Pierce County across Fort Lewis to I-5. In Snohomish County, investments could include the US 2 trestle, SR-9 and other key east/west corridors. The Roads and Transit package is expected to go before voters in November 2007.

Planning Agencies

Federal agencies begin mandating planning activities: The federal government historically provided the bulk of funds for major highway projects. Over the past 20 years, that support has declined dramatically and the federal government now provides very limited support for roads although there are still meaningful transit support systems available. Notwithstanding that trend, federal planning and approval processes have become more extensive over the same period.

As the highway system evolved and transportation planning became more sophisticated, Congress began encouraging regional collaboration. The Federal Aid Highway Act of 1973 required states to dedicate a very small portion of the funds they received from the federal Highway Trust Fund for Metropolitan Planning Organizations (MPO) in urbanized areas over 50,000 in population. These organizations were designed to stitch together the disparate strands of economic growth, urban planning and transportation into a rational system. More importantly, they mandated that the public be consulted and be able to advise local authorities where Federal funding for urban planning should be concentrated. Once the honeymoon period of community empowerment was completed without producing any miracles in planning or community amity, Federal interest in metropolitan planning and regional regulatory authority began to wane. During the Reagan Administration in of the 1980's, the share of federal operating funds for regional entities declined--from 76 percent in 1978 to 45 percent in 1988. This corresponded with an attempt to decrease funding for transportation in general and mass transit programs in particular. But highway advocates, stung by local opposition and mass transit advocates hungry for funds, combined into a powerful alliance. Cuts were stymied despite opposition from the White House, and administration officials were forced to admit defeat. In 1991, Congress and President Bush kicked off a major shift in transportation funding with the passage of legislation referred to as ISTEA. This landmark legislation and its successors, TEA-21 in 1998 and SAFETEA-LU in 2005 significantly increased funding for mass transit, and encouraged much broader participation among the public than the previous DOT-centric approaches. ISTEA broke out of the highly centralized Federal and state model of transportation planning, bringing in to the process citizens, advocacy groups, local governments, and other interested parties. TEA-21 built on the initiatives established in the ISTEA. This new Act combines a continuation and improvement of some programs with new initiatives. SAFETEA-LU builds on ISTEA and TEA-21, refining the programmatic framework for investments needed to maintain and grow our vital transportation infrastructure.

State Planning: In 1990, the Washington State Legislature took several steps forward in transportation planning. It enacted the High Capacity Transportation Act, authorizing Regional Transit System Plans, and Growth Management Act (GMA), the first state mandate for comprehensive planning. A few years later, the Transportation Commission of the Washington State Department of Transportation adopted its first 20-year transportation plan, integrating all forms of surface transportation in each of the state's 39 counties, in 1996. Also in that year, the voters of King, Pierce, and Snohomish Counties approve \$3.9 billion to launch the Sound Transit organization and its plan for light rail.

PSRC: As described above federal law required states to create Regional Transportation Planning Organization and Metropolitan Planning Organizations that certify plans for funds for regional transportation projects. Accordingly, Washington State established the Puget Sound Regional Council ("PSRC") as the Regional Transportation Planning Organization (RTPO) under state law. In urbanized areas the RTPO also carries the label of Metropolitan Planning Organization (MPO) for federal planning purposes. In order to carry out these functions, the PSRC reached an agreement with local municipal authorities to carry out state and Federal planning activities on their behalf the Inter-local Agreement. This provides the PSRC the ability to both meet Federal planning statutes required for funding as well as meet the state requirements of the Growth Management Act. The major focus at PSRC in 2006 is integrating land use, transportation and economic planning. Three documents form the foundation for PSRC planning: VISION 2020, region's adopted policies for managing growth, Destination 2030, the region's long-range transportation plan, and the Prosperity Partnership's regional economic strategy. The PSRC also distributes about \$160 million in Federal Highway Administration and Federal Transit Administration funds each year to transportation projects that support Destination 2030.

Appendix 4A-5: List of Recent Projects Funded

<u>Funding Package</u>	<u>Where does it go?</u>	<u>What does it pay for?</u>
Highway Improvements: \$3.2 billion, 125 projects	Alaska Way Viaduct	Begin design, complete the environmental impact statement (EIS), and start to purchase critical right of way needs

	SR 520 Bridge - \$52 million	Complete the EIS and begin design of the project
	Congestion Relief - \$2.6 billion	Improve the movement of traffic in some of the most congested areas of the state, including \$2.2 billion for projects in the Central Puget Sound area and \$190 million in Spokane. Strategies include constructing HOV or general purpose lanes, improving interchanges, and building truck climbing or passing lanes
	Safety - \$211 million	Statewide projects to fix some of the worst locations for frequent accidents including run-off-the-road danger.
	Freight Mobility and Economic, \$121 million	
	Environmental, \$35 million	
Highway Preservation: \$145 million, 2 projects		Begin to address the future concrete pavement needs in heavy traveled corridors
Washington State Ferries: \$298 million, 5 projects.		Provide for one new auto/passenger ferry boat. Improve ferry terminals in Mukilteo, Anacortes, and Edmonds.
Freight Mobility and Economic: \$12 million, 2 projects		Make improvements to assist freight transportation on local roadways and rail systems.
Multimodal Improvements: \$210 million, 24 projects		Improve Amtrak Cascades passenger rail service with projects that support better on-time performance and that will reduce travel times between cities. Preserve freight rail infrastructure within the state.
At-Risk Structures - \$2.98 billion for 30 projects. (This includes \$2.98 billion to rehabilitate or replace 30 existing bridges. The work will	Alaskan Way Viaduct - \$2 billion	This is the State's contribution towards replacing this aging and earthquake vulnerable structure. Learn more about the Alaskan Way Viaduct project.

<i>extend the life-time of the bridges to ensure they can continue to meet daily needs, withstand stream erosion and stand up to severe earthquakes.)</i>		
	SR 520 Bridge - \$500 million	The State's contribution towards replacement of the SR 520 floating bridge. Some of the money will complete the design work; most of it will pay for construction. Additional funding for the construction will have to come from tolls and regional sources.
	Bridge Seismic Retrofit - Central Puget Sound \$87 million	These projects will strengthen supporting columns of bridges to resist earthquake damage. Central Puget Sound has two seismic zones with the highest potential for ground movement in the state
	Bridge Replacements - \$391million, 26 projects	Replaces bridges that are deteriorating and/or are too narrow for safety for today's cars and trucks.
Safety Investments - \$279 million for 106 projects		Projects statewide to fix some of the worst locations for frequent accidents including run off-the-road or median crossover dangers.
Multi Modal Improvements - \$94.8 million for 8 projects		Improving Amtrak Cascades passenger rail service with projects that will support better on-time performance, reduce travel times between cities, increase track capacity at King Street Station, and upgrade to state-owned train equipment.
Freight Mobility and Economic - \$542 million for 35 projects		<p>Projects to fix existing unacceptable environmental situations from historic roadway construction.</p> <p>Replace six bridges and make other improvements to assist freight transportation on our state highways, local roadways and rail systems.</p>

<p>Choke Points and Congestion - \$2.95 billion for 69 projects</p>		<p>Address chokepoints and bottlenecks on the highway system statewide to improve the flow of traffic by adding lanes, improving interchanges and constructing HOV lanes. This list of projects includes work on Interstate 5 that needs to be completed before starting the construction phase on the Alaskan Way Viaduct and SR 520 Corridor to minimize traffic disruptions during construction in the Seattle area.</p>
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Appendix 9-1: Choices for RTC consideration

Planning Scope

Least Scope ←

→ *Most Scope*

Just transportation following PSRC guidelines	Just transportation with PSRC transportation planning folded in to new agency.	Transportation and land use, with all PSRC functions absorbed.
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Authority

Least Authority ←

→ *Most Authority*

Planning Only	Planning & Prioritize Funding.	Planning, Prioritize Funding, & Infrastructure Construction	Planning, Prioritize Funding, Infrastructure Construction & Preservation	Planning, Prioritize Funding, Construction, Preservation & System Operations
	Planning, Prioritize Funding, & Taxing	Planning, Prioritize Funding, Taxing & Infrastructure Construction	Planning, Prioritize Funding, Taxing, Infrastructure Construction & Preservation	Planning, Prioritize Funding, Taxing, Construction, Preservation & System Operations

Revenue Sources

Least Revenue Sources ←

→ *Most Revenue Sources*

Current State & Fed \$	Previous box + cost efficiencies	Previous box plus merging of mode funding silos	Previous box + Regional Taxing Authority spends with current sources	Previous box + Regional Taxing Authority spends with maximized sources	Previous box + Regional Taxing Authority also receives local taxes	Previous box + Infrastructure Tolls	Previous box + Congestion Price Tolls	Previous box + new taxing mechanisms including public/private partnerships, Trans. Impact Fees, etc.
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Authority over Roads

Least Authority ←

→ *Most Authority*

Planning Only & No Prioritization of Funding	Planning & Prioritization Recommendations	Prioritization of Funding over State Roads	Prioritization of Funding over SRs and "Roads of Regional Significance." (RRS)	Prioritization of Funding over all roads within region
		Planning & Prioritization of Funding over SRs	Planning & Prioritization of Funding over SRs and RRS	Planning & Prioritization of Funding over all roads within region

Authority over Transit Agencies

Least Authority ←

→ *Most Authority*

All transit agencies operate independently	All transit agencies operate independently, but regional (hub to hub) routes set by regional body	All transit agencies operate independently, but fare standardization and regional routes set by regional body Transit	Run all bus transit. No ferries, No Sound Transit, No regional bus routes	Run all bus transit & regional bus routes. No ferries, No Sound Transit light rail or Sounder.	Run all transit but ferries	Run all transit agencies within boundaries includes ferries
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Representation

Most directly chosen by voters ←

→ *Not chosen by voters*

Elected		Elected and Appointed		Appointed					
Direct Election by District	Direct Election At Large	Some Directly Elected by District	Some Appointed by Legislature	Local Officials Appoint Local Elected (Federated)	County Officials Appoint Local Elected (Federated)	Legislature Appoints Local Elected (Federated)	Legislature Appoints at its discretion	Legislature and Governor Appoint at their discretion	Governor Appoints at her discretion
		Some Directly Elected at Large	Some appointed by Governor						

Membership by government entities inside regional boundary

Least Commitment ←

→ *Most Commitment*

No membership	Voluntary Membership	Voluntary Membership for local governments, mandatory for county governments	Mandated membership for all governments.
		Voluntary Membership for county governments, mandatory for local governments.	

Boundaries

Narrowest Boundary ←

→ *Widest Boundary*

Sound Transit	Sound Transit & part of Kitsap	Sound Transit & SRs in four counties	Three counties (RTID)	King, Snohomish, Pierce & part of Kitsap	All four counties
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Appendix 9-2

Alternative Models

Models	Model One	Model Two	Model Three
Planning Scope	All planning – land use and transportation – has MPO authority	PSRC retains MPO status, does land use planning, new body does transportation planning from land use guides.	New body does all land use and transportation planning.
Authority Over Transit	Has authority to run & merge transit agencies	No operations, but regional route and fare standardization.	No authority over existing transit agencies.
Authority Over Roads	Authority over road projects a certain \$ size.	Authority to prioritize “regional roads of significance.”	Has authority to prioritize projects.
WSDOT role	Rewrites regional boundaries, cede control of PS region to new body	Rewrites regional boundaries, Provides consulting in PS region.	Continues present role
Revenue Authority	Comprehensive Regional authority over all taxing of sales, gas, plus tolling.	Regional authority over tolling income and surcharge on regional sales tax.	Leg retains previous authority, tolling and regional surcharge given in negotiation (LEAP-type list) to regional body.
Representation – appointed/elected	4 appointed, 5 elected	9 member elected body	Current PSRC “Council of Governments”
Representation – how chosen	Appointees chosen by Governor, Board chosen at large, but represent district	Elected at large	Federated Board
Membership	Mandatory for all governments	Automatic membership for localities with projects.	Voluntary membership
Boundaries	Four county region	Three county (RTID)	Current regional boundary of PSRC